KAKUZI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Companies Act.

DIRECTORS

The directors who held office during the year and to the date of this report were:

Mr. K W Tarplee* Chairman
Mr. G H Mclean* Managing Director
Mr. K R Shah
Mr. R Kemoli
Mr. N Nganga
Mr. C J Ames*
* British

REGISTERED OFFICE

Main Office
Punda Milia Road, Makuyu
P O Box 24
01000 THIKA
Telephone (060) 2033012
Facsimile (060) 2031394
E-mail: mail@kakuzi.co.ke

REGISTRARS

Custody & Registrars Services Limited
Bruce House, 6th Floor
Standard Street
P O Box 8484
00100 NAIROBI
Telephone (020) 2230242
Facsimile (020) 243541

SUBSIDIARY COMPANIES

Estates Services Limited	(100% holding)
Siret Tea Company Limited	(50.5% holding)
Kaguru EPZ Limited	(100% holding)

AUDITOR

PricewaterhouseCoopers
P O Box 43963
00100 NAIROBI

SECRETARY AND OFFICE AT WHICH REGISTER OF SECURITIES IS KEPT

J L G Maonga
Livingstone Associates
P O Box 30029
00100 NAIROBI
Telephone (020) 4441344
Facsimile (020) 4448966

BANKERS

Kenya Commercial Bank Limited
P O Box 30081
00100 NAIROBI

Commercial Bank of Africa Limited
P O Box 45136
00100 NAIROBI

STOCK UNITS

The company's stock units are listed on the Nairobi Stock Exchange and the London Stock Exchange.

NOTICE is hereby given that the Eighty Third Annual General Meeting of the members of the Company will be held in the Frangipani Room, Nairobi Serena Hotel, Nairobi on Wednesday 25 May 2011 at 12.00 noon for the following purposes:-

1. To read the notice convening the meeting.

2. To table the proxies and confirm the presence of a quorum.

3. To approve the minutes of the Eighty Second Annual General Meeting held on 27 May 2010.

4. To receive, consider and adopt the financial statements for the year ended 31 December 2010 together with the reports of the Chairman, Directors and of the Independent Auditors thereon.

5. To declare a first and final dividend of Shs 2.50 per stock unit (2009: Ksh 2.50) for the financial year ended 31 December 2010.

6. To elect Directors: -

   (a) In accordance with Article 86 of the Company's Articles of Association, Mr. K W Tarplee and Mr. N Nganga retire by rotation and, being eligible, offer themselves for re-elections.

   (b) Special Notice is hereby given that a notice has been received in accordance with Sections 142 and 186 (5) of the Companies Act that it is intended to pass the following resolution as an ordinary resolution:-

   "That Mr. N Nganga, who has attained the age of over 70 years be and is hereby re-elected a director of the Company."

7. To approve the Directors' remuneration as shown in the financial statements for the year ended 31 December 2010.

8. To note that PricewaterhouseCoopers continue in office as Auditors to the Company by virtue of section 159 (2) of the Companies Act (Cap) 486 and to authorise the Directors to fix their remuneration for the ensuing financial year.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

17 March 2011

Note:

A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the Company.

The profit before tax and the adjusted value of biological assets is Kshs 429 million (2009: Kshs 494 million). The net profit attributable to members of Kakuzi Limited is Kshs 311 million (2009: Kshs 339 million). Profit on the avocado crop in particular the Fuerte variety was lower than the previous year however profit on the Tea operations was improved over 2009 levels. A satisfactory cash position has been maintained throughout the year.

MAKUYU OPERATIONS

The early part of the year was very dry but normal rainfall patterns returned towards the end of the first quarter which replenished water supplies into our strategic dams. The early AVOCADO Fuerte crop was down on last year's levels impacted mainly by the poor growing conditions. The Hass season which started in mid-May had improved volumes over the previous year but fruit sizing was generally much smaller resulting in prices attained being lower than last year. We shipped 227 containers to Europe (2009: 139 containers). Prices attained were lower than previous year levels. Logistics on timely port handling and shipping remained problematical and we had a significant level of insurance claims most of which I am pleased to report are all settled. Insurance and shipping costs are now a significant overhead to our cost of production. We now have 409 Hectares of avocado planted. Demand for our CATTLE reduced significantly with the onset of the rains with improved grazing conditions throughout Kenya. This had a negative impact on sales volume and prices attained. A small loss was shown on the operation after fully accounting for overheads. We held over 5000 heads of cattle at the year end. The PINEAPPLE Joint Project Agreement gave returns in line with expectations. A retrospective claim relating to an alleged error in calculating the sales price of the product in 2007 and 2008 made by Del Monte Kenya Limited gives concern as to the long term viability of our relationship with Del Monte Kenya Limited. The FORESTRY operation had good demand in particular for treated poles and a satisfactory profit was attained from this operation. Our total forestry plantings now cover 1289 Hectares. Investment in MACADAMIA Development continued throughout the year and we now have 444 Hectares planted. Our current development programme is to plant over 1000 Hectares. We plan to build a Macadamia cracking facility during 2016 when sufficient cropping levels are expected to meet such an investment. We completed the water transfer reticulation in order to consolidate our strategic water reserves during the year. This should enable us to meet our irrigation demands during adverse rainfall patterns.

NANDI HILLS

This has been a very satisfactory year as regards both cropping levels and pricing. 4.8 million kgs of made tea was produced of which 3.7 million kgs came from our own estates. A good quality tea continues to be produced for the market with prices attained and returns being above average budget margins. The Outgrowers Empowerment Project now hold 49.5% of the equity in Siret Tea Co Ltd and as previously reported the non controlling shareholder now has until the end of 2013 to purchase the remainder of the shares in full.

CSR AND ENVIRONMENTAL INITIATIVES

This area of our operation was reported on for the first time last year and continues to be a strong policy focus by your Board of Directors. Sustainable development initiatives and investment have progressed both with the community and internally. Our exported products continue to receive a high level of international recognition.

LAND

Your Board of Directors continues to focus positively on maximum land utilization for commercial agricultural development. The soon to be completed 'Thika Road Super Highway' is expected to exert speculative pressure on land held by Kakuzi. Shareholders have an investment in a unique agriculture resource with good water supplies and an ever improving transport infrastructure to shipment points. Emphasis will continue on developing such agricultural potential to the full benefit of all shareholders.

STAFF

This opportunity must be taken by your Board of Directors to thank staff for their hard work and professional and transparent approach to our business.

DIVIDEND

The Board recommends the payment of a 50% dividend equivalent to Kshs 2.50 per stock unit.

PROSPECTS

It is difficult to gauge the demand and price sensitivity of our export production at their numerous points of sale due to the recessionary uncertainties in various world economies. Weather patterns throughout the world now appear to be moving from one extreme to the other and such effects can not only impact our own crop but that of our competitors. We have started the year with a very dry spell in both Makuyu and Nandi Hills. Production of Tea is down on last year's levels. As we had good rainfall at Makuyu towards the end of last year and subsequently we have managed to attain adequate irrigation for our Avocados good cropping levels are expected. Inflationary trends are of concern in particular, the impact that higher fuel prices can have on our overall cost of production together with the ever increasing cost of labour. For reasons given above it is difficult at the time of writing this report to give any firm indication of returns for 2011. Your Directors will however continue to focus on a positive cash position to meet future investment needs.

K W TARPLEE
CHAIRMAN

17 March 2011

The directors submit their report together with the audited financial statements for the year ended 31 December 2010, in accordance with section 157 of the Kenya Companies Act which disclose the state of affairs of the group and the company.

PRINCIPAL ACTIVITIES

The principal activities of the company comprise:

- The cultivation, manufacture and selling of tea
- Growing, packing and selling of avocados
- Livestock farming
- Growing and selling of pineapples
- Forestry and Macadamia development

RESULTS AND DIVIDEND

The net profit for the year of Shs 385,379,000 (2009: Shs 390,295,000) has been added to retained earnings. During the year no interim dividend (2009: Shs Nil) was paid. The directors recommend the approval of a first and final dividend of Shs 2.50 (2009: Shs 2.50) per stock unit.

The results for the year are set out on pages 11 to 52 in the attached financial statements.

ANNUAL GENERAL MEETING

The Eighty Third Annual General Meeting of the company will be held in the Frangipani Room, Nairobi Serena Hotel, Nairobi, on 25 May 2011 at 12.00 noon.

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 1.

The directors' interests in the share capital of the company are listed below: -

	At 31 December 2010		**At 31 December 2009**	
	Beneficial Stock units	**Non-beneficial Stock units**	**Beneficial Stock units**	**Non-beneficial Stock units**
Mr. K W Tarplee	-	75	-	75
Mr. G H Mclean	100	-	100	-
Mr. K R Shah	200	-	200	-
Mr. R Kemoli	500	-	500	-
Mr. N Nganga	1,000	-	1,000	-
Mr. C J Ames	-	300	-	300

In accordance with Article 86 of the Company's Articles of Association, Mr. K W Tarplee and Mr. N Nganga retire by rotation and, being eligible, offer themselves for re-election.

AUDITOR

The company's auditor, PricewaterhouseCoopers continues in office in accordance with Section 159(2) of the Kenya Companies Act.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 17 March 2011.

By order of the Board

Mr. G H Mclean
Managing Director

17 March 2011

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least twelve months from the date of this statement.

Mr. G H Mclean	**Mr. K R Shah**
17 March 2011	17 March 2011

The directors endorse the spirit of the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya issued by the Capital Markets Authority.

The board of directors consists of both executive and non-executive directors, including two independent and four non-executive directors. The board is responsible for setting strategy, approving budgets, capital expenditure, investment and divestments. The board meets at least four times a year and sufficient information is circulated in advance of board meetings to enable the directors to discharge their duties.

The board has established the following committees:

1. The audit committee, consisting of two independent and non-executive directors, and Mr. N Nganga as chairman.

2. The nominating committee, constituted as a committee of the entire board, chaired by Mr. N Nganga.

Every director, with the exception of the managing director, retires by rotation in accordance with the company's Articles of Association.

In reviewing corporate governance, the directors consider it appropriate to take into account the company's status as a subsidiary of Camellia Plc and the size of the company's operations.

The company is compliant with the Guidelines on Corporate Governance with the exception of the following non-prescriptive guidelines:

Rule 3.1.3 (i) The nominating committee is constituted as a committee of the entire board, and new board appointments are considered by the full board.

Rule 3.1.4 (i) The remuneration of directors is considered by the nominating committee which comprises the whole board.

AUDIT COMMITTEE

During the year, the audit committee met twice. The committee approved the annual internal audit plan which has been monitored by monthly internal audit reports. The committee is satisfied with the group's system of internal financial control. The committee also meets with the external auditors at the commencement and conclusion of the audit.

COMMUNICATION WITH SHAREHOLDERS

The company is committed to equitable treatment of its shareholders including the non controlling and foreign shareholders and ensures that all shareholders receive full and timely information about its performance through the distribution of the annual report and financial statements and half yearly interim financial report and through compliance with the relevant continuing obligations under the Capital Markets Authority Act. The company's results are advertised in the press and released to the stock exchange within the prescribed period at each half-year and year end.

Mr. G H Mclean	**Mr. K R Shah**
17 March 2011	17 March 2011

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KAKUZI LIMITED

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kakuzi Limited (the company) and its subsidiaries (together, the group), as set out on pages 11 to 52. These financial statements comprise the consolidated statement of financial position at 31 December 2010 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the statement of financial position of the company standing alone at 31 December 2010 and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of the group and of the company at 31 December 2010 and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenya Companies Act.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KAKUZI LIMITED (CONTINUED)

Report on other legal requirements

The Kenya Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi — 17 March 2011

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2010 Shs'000	2009 Shs'000
Sales	5	2,113,774	2,008,157
Gains arising from changes in fair value less costs to sell of biological assets	17	124,837	64,562
		2,238,611	2,072,719
Cost of production		(1,284,419)	(1,195,941)
Gross profit		954,192	876,778
Other income	6	28,911	16,095
Distribution costs		(443,270)	(337,596)
Profit on sale of shares in subsidiary	19(d)	-	17,002
Operating profit		539,833	572,279
Finance income	7	14,515	6,084
Finance cost	7	(414)	(19,473)
Profit before income tax		553,934	558,890
Income tax expense	10	(168,555)	(168,595)
Profit for the year (of which Shs 300,466,000 has been dealt with in the accounts of the company)		385,379	390,295
Other comprehensive income		-	-
Total comprehensive income		385,379	390,295
Profit attributable to:			
Equity holders of the company		311,123	339,897
Non controlling interest		74,256	50,398
Total comprehensive income attributable to:			
Equity holders of the company		311,123	339,897
Non controlling interest		74,256	50,398
		Shs	Shs
Earnings per share attributable to equity holders of the company:			
Basic and diluted earnings per stock unit	11	15.87	17.34

Consolidated and company statement of financial position

	Notes	Group 31 December 2010 Shs'000	Group 31 December 2009 Shs'000 As restated	Company 31 December 2010 Shs'000	Company 31 December 2009 Shs'000 As restated
EQUITY					
Share capital	12	98,000	98,000	98,000	98,000
Retained earnings		1,848,179	1,584,272	1,735,604	1,484,138
Proposed dividend	11	49,000	49,000	49,000	49,000
Attributable to company's equity holders		1,995,179	1,731,272	1,882,604	1,631,138
Non controlling interest		215,325	157,022	-	-
Total equity		2,210,504	1,888,294	1,882,604	1,631,138
Non-current liabilities					
Deferred income tax	14	565,509	521,802	473,420	436,415
Retirement benefit obligations	15	58,899	50,004	36,480	32,398
		624,408	571,806	509,900	468,813
		2,834,912	2,460,100	2,392,504	2,099,951
Non-current assets					
Property, plant and equipment	16	613,415	604,446	543,292	538,000
Biological assets	17	1,779,436	1,623,069	1,503,436	1,374,669
Prepaid operating lease rentals	18	8,108	8,117	4,419	4,424
Investment in subsidiaries	19	-	-	115,536	134,259
Non-current receivables	21	22,062	19,185	15,415	16,630
		2,423,021	2,254,817	2,182,098	2,067,982
Current assets					
Inventories	20	140,355	148,091	41,568	48,979
Receivables and prepayments	21	122,557	128,116	173,366	140,774
Current income tax recoverable		3,037	-	-	-
Cash and cash equivalents	23	529,621	342,231	217,866	85,464
		795,570	618,438	432,800	275,217
Current liabilities					
Payables and accrued expenses	22	372,280	340,438	210,807	199,628
Current income tax payable		-	65,402	4,943	39,901
Retirement benefit obligations	15	11,399	7,315	6,644	3,719
		383,679	413,155	222,394	243,248
Net current assets		411,891	205,283	210,406	31,969
		2,834,912	2,460,100	2,392,504	2,099,951

The financial statements on pages 11 to 52 were approved for issue by the board of directors on 17 March 2011 and signed on its behalf by:

Mr. G H Mclean **Mr. K R Shah**

Consolidated statement of changes in equity

	Attributable to company's equity holders					
	Share capital Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000	Non controlling interest Shs'000	Total equity Shs'000
Year ended 31 December 2009						
At start of year:						
- as previously stated	98,000	1,369,690	19,600	1,487,290	80,343	1,567,633
- prior year adjustment (Note 26)	-	(76,315)	-	(76,315)	-	(76,315)
- as restated	98,000	1,293,375	19,600	1,410,975	80,343	1,491,318
Total comprehensive income for the year:						
Profit for the year	-	339,897	-	339,897	50,398	390,295
Other comprehensive income	-	-	-	-	-	-
Total	-	339,897	-	339,897	50,398	390,295
Contributions by and distributions to owners:						
Dividend paid to non controlling interest	-	-	-	-	(29,600)	(29,600)
Part disposal of a subsidiary (Note 19(c))	-	-	-	-	55,881	55,881
Dividends:						
- Final for 2008	-	-	(19,600)	(19,600)	-	(19,600)
- Proposed for 2009	-	(49,000)	49,000	-	-	-
Total	-	(49,000)	29,400	(19,600)	26,281	6,681
At end of year	98,000	1,584,272	49,000	1,731,272	157,022	1,888,294
Year ended 31 December 2010						
At start of year:						
- as previously stated	98,000	1,660,587	49,000	1,807,587	157,022	1,964,609
- prior year adjustment (Note 26)	-	(76,315)	-	(76,315)	-	(76,315)
- as restated	98,000	1,584,272	49,000	1,731,272	157,022	1,888,294
Total comprehensive income for the year:						
Profit for the year	-	311,123	-	311,123	74,256	385,379
Other comprehensive income	-	-	-	-	-	-
Total	-	311,123	-	311,123	74,256	385,379
Contributions by and distributions to owners:						
Dividend paid to non controlling interest	-	-	-	-	(52,270)	(52,270)
Part disposal of a subsidiary (Note 19(d))	-	1,784	-	1,784	36,317	38,101
Dividends:						
- Final for 2009	-	-	(49,000)	(49,000)	-	(49,000)
- Proposed for 2010	-	(49,000)	49,000	-	-	-
Total	-	(47,216)	-	(47,216)	(15,953)	(63,169)
At end of year	98,000	1,848,179	49,000	1,995,179	215,325	2,210,504

Company statement of changes in equity

	Share capital Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
Year ended 31 December 2009				
At start of year:				
- as previously stated	98,000	1,278,541	19,600	1,396,141
- prior year adjustment (Note 26)	-	(76,315)	-	(76,315)
- as restated	98,000	1,202,226	19,600	1,319,826
Total comprehensive income for the year:				
Profit for the year	-	330,912	-	330,912
Other comprehensive income	-	-	-	-
Total	-	330,912	-	330,912
Contributions by and distributions to owners:				
Dividends:				
- Final for 2008	-	-	(19,600)	(19,600)
- Proposed for 2009	-	(49,000)	49,000	-
Total	-	(49,000)	29,400	(19,600)
At end of year	98,000	1,484,138	49,000	1,631,138
Year ended 31 December 2010				
At start of year:				
- as previously stated	98,000	1,560,453	49,000	1,707,453
- prior year adjustment (Note 26)	-	(76,315)	-	(76,315)
- as restated	98,000	1,484,138	49,000	1,631,138
Total comprehensive income for the year:				
Profit for the year	-	300,466	-	300,466
Other comprehensive income	-	-	-	-
Total	-	300,466	-	300,466
Contributions by and distributions to owners:				
Dividends:				
- Final for 2009	-	-	(49,000)	(49,000)
- Proposed for 2010	-	(49,000)	49,000	-
Total	-	(49,000)	-	(49,000)
At end of year	98,000	1,735,604	49,000	1,882,604

Consolidated statement of cash flows

	Notes	Year ended 31 December 2010 Shs'000	2009 Shs'000
Operating activities			
Cash generated from operations	24	564,991	749,220
Interest received		14,515	6,084
Interest paid		(414)	(21,917)
Income tax paid		(193,287)	(72,657)
Net cash from operating activities		385,805	660,730
Investing activities			
Purchase of property, plant and equipment	16	(57,346)	(16,634)
Purchase of biological assets and development	17	(79,988)	(78,035)
Proceeds from disposal of property, plant and equipment		2,088	1,593
Proceeds from sale of shares in subsidiary	19	38,101	72,883
Net cash used in investing activities		(97,145)	(20,193)
Financing activities			
Payments on long-term borrowings		-	(195,500)
Dividend paid to company's shareholders		(49,000)	(19,600)
Dividend paid to non controlling interest		(52,270)	(29,600)
Net cash used in financing activities		(101,270)	(244,700)
Increase in cash and cash equivalents		187,390	395,837
Movement in cash and cash equivalents			
At start of year		342,231	(53,606)
Increase		187,390	395,837
At end of year	23	529,621	342,231

Notes

1 General information

Kakuzi Limited is incorporated in Kenya under the Kenyan Companies Act as a public limited liability company, and is domiciled in Kenya. The address of its registered office is:

Main Office
Punda Milia Road, Makuyu
P O Box 24
01000 THIKA

The Company's shares are listed on the Nairobi Stock Exchange.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss by the statement of comprehensive income, in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the group

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in statement of comprehensive income. IAS 27 (revised) has had an impact in the current period, in the treatment of gain in sale of shares in Siret Tea Company Limited.

(ii) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant

IFRS 3 Business Combinations – Revised – effective 1 July 2009. The new standard continues to apply the acquisition method of business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non controlling interest. All transaction costs will be expensed.

Notes (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The group's assessment of the impact of these new standards and interpretations is set out below;

IFRS 9, 'Financial instruments' – effective 1 January 2013. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. It introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets.

The group is yet to process IFRS 9's full impact. However, initial indications are that it will not have a significant impact on the group's financial statements, as the group does not have fair value debit instruments.

IAS 24 (Revised) 'Related party disclosures' – effective 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the group will need to disclose any transactions between itself and associates of its parent company. The group is currently putting systems in place to capture the necessary information. It is therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

(b) Consolidation of subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date the control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Kenyan Shillings (Kshs), which is the group's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Functional currency and translation of foreign currencies (continued)

(ii) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement of comprehensive income within ‘finance income or cost’. All other foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other income’ or ‘other expenses’.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received and receivable for the sale of goods and services in the ordinary course of the group’s activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and when specific criteria have been met for each of the group’s activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) Sales other than by auction are recognised upon delivery of products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Sales by auction are recognised upon the fall of the hammer for confirmed bids.

(ii) Interest income is recognised on a time proportion basis using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at historical cost and subsequently stated at cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income within ‘cost of production’ during the financial period in which they are incurred.

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write cost to their residual values over their estimated useful life as follows:

Buildings, dams and improvements	4 – 40 years
Plant and machinery	10 – 13 years
Motor vehicles, tractors, trailers and implements	4 – 10 years
Furniture, fittings and equipment	3 – 8 years
Capital work in progress is not depreciated	

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

(g) Biological assets

Biological assets are measured on initial recognition and at each statement of financial position date at fair value less costs to sell. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised in the statement of comprehensive income in the year in which they arise.

The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. The fair value of avocado is determined based on the net present values of expected future cash flow, discounted at current market-determined pre-tax rates. The discount rate used reflects the cost of capital, an assessment of country risk, and the risk associated with avocado. The fair value of other biological assets including tea is based on market prices as valued by an external independent valuer.

Purchases and development of biological assets include cost of planting, breeding and upkeep until they mature.

Subsequently all costs of upkeep and maintenance of mature biological assets are recognised in the statement of comprehensive income within 'cost of production' under cost of production in the period in which they are incurred.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or receipts under operating leases are charged or credited to the statement of comprehensive income within 'cost of production' on a straight-line basis over the period of the lease.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Notes (continued)

2 Summary of significant accounting policies (continued)

(i) Inventories (continued)

The cost of made tea comprises the fair value less costs to sell of green leaf at the point of harvest, direct labour, and other direct costs and related production overheads, but excludes interest expense.

Agricultural produce at the point of harvest is measured at fair value less costs to sell. Any changes arising on initial recognition of agricultural produce at fair value less costs to sell are recognised in the statement of comprehensive income in the year in which they arise.

The cost of other inventory is determined by the weighted average method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(j) Receivables

Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within ‘cost of production’.

(k) Payables

Payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Share capital

Stock units are classified as equity.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Employee benefits

(i) Post-employment benefits

For unionised employees, the group has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the union. Employees who resign after completing at least ten years of service are entitled to twenty one days pay for each completed year of service. The liability recognised in the statement of financial position in respect of this defined benefit scheme is the present value of the defined benefit obligation at the statement of financial position date. The obligation is estimated annually using the projected unit method by independent actuaries. The present value is determined by discounting the estimated future cash outflows using interest rates of government bonds. The currency and estimated term of these bonds is consistent with the currency and estimated term of the post-employment benefit obligation. The obligation relating to employees who have reached the minimum retirement age and completed the required years of service and are still in employment are classified as payable within the next twelve months.

In addition for non-unionised and non-management employees, the company has an unfunded obligation to pay service gratuity under their standard terms of service. Employees are eligible for up to sixteen days for each completed year of service. The liability recognised in the statement of financial position in respect of this defined benefit scheme is the present value of the defined benefit obligation at the statement of financial position date. The obligation is estimated annually using the projected unit method by the independent actuaries.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income within ‘cost of production’.

The group operates a defined contribution post-employment benefit scheme for management employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the defined contribution post-employment benefit scheme are held in a separate trustee administered fund, which is funded by contributions from both the group and the employees. The group and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme.

The group’s contributions to both these defined contribution schemes are charged to the statement of comprehensive income within ‘cost of production’ in the year in which they fall due.

(ii) Other entitlements

The estimated monetary liability for employees’ accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Current and deferred income tax (continued)

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income within ‘cost of production’ over the period of the borrowings.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(q) Dividends

Dividends on stock units are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(r) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

Notes (continued)

3 Critical accounting estimates and judgements

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

(i) Biological assets

Critical assumptions are made by the directors and the independent valuer in determining the fair values of biological assets. The key assumptions are set out in Note 17.

(ii) Post-employment benefit obligations

Critical assumptions are made by the actuary in determining the present value of the service gratuities to non-management employees. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note 15.

(b) Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether financial and non-financial assets are impaired
- the recoverability of tax assets.

4 Financial risk management objectives and policies

The group's activities expose it to a variety of financial risks, including credit risk, prices for its agricultural produce, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial and agricultural markets and seeks to minimise potential adverse effects on its financial performance, but the group does not hedge any risks.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. These policies provide principles for overall risk management, as well as policies covering specific areas such as commodity price risk, foreign exchange risk, interest rate risk and credit risk.

Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

At 31 December 2010, if the Shilling was weaker/stronger by 5% against the US dollar with all other variables held constant, the consolidated post tax profit would have been Shs 2,369,000 (2009: 2,549,000) higher/lower mainly as a result of US dollar trade receivables

At 31 December 2010 if the Shilling was weaker/stronger by 5% against the Euro with all other variables held constant, the consolidated post tax profit would have been Shs 122,000 higher/lower (2009: Shs 7,000) mainly as a result of Euro denominated cash at bank and trade receivables.

Notes (continued)

4 Financial risk management objectives and policies (continued)

(ii) Price risk

The Group does not hold any financial instruments subject to price risk.

(iii) Cash flow interest rate risk

The Group has borrowings and bank overdraft facilities at variable rates, which exposes the Group to cash flow interest rate risk. The group regularly monitors financing options available to ensure optimum interest rates are obtained. For the year ended 31 December 2010, an increase/decrease of 5% would have resulted in a decrease/increase in post tax profit of Shs Nil (2009: Shs Nil).

Credit risk

Credit risk arises from deposits with banks, as well as trade and other receivables. The group does not have any significant concentrations of credit risk. The group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The amount that best represents the group's and company's maximum exposure to credit risk at 31 December 2009 is made up as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Cash at bank	528,761	337,921	217,050	81,157
Trade receivables	86,758	78,867	24,160	13,084
Receivables from related companies	2,951	17,328	136,967	109,359
Other receivables	33,127	27,115	20,744	19,605
	651,597	461,231	398,921	223,205

Collateral is held only for staff loans amounting to Shs 27,049,000 (2009: Shs 19,592,000) included in other receivables. The Group does not grade the credit quality of receivables. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amounts (which are due within 30 days of the end of the month in which they are invoiced):

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Past due but not impaired:				
by up to 30 days	-	530	-	530
by 31 to 60 days	576	554	576	554
by 61 to 90 days	-	52	-	52
over 90 days	195	1,512	195	1,512
Total past due but not impaired	771	2,648	771	2,648
Impaired	-	-	-	-

Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the group's and company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2010:				
- Bank borrowings	-	-	-	-
- Trade and other payables	370,496	-	-	-
- Tax payable	-	-	-	-
At 31 December 2009:				
- Bank borrowings	-	-	-	-
- Trade and other payables	231,414	-	-	-
- Tax payable	65,402	-	-	-

Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2010:				
- Bank borrowings	-	-	-	-
- Trade and other payables	210,807	-	-	-
- Tax payable	4,943	-	-	-
At 31 December 2009:				
- Bank borrowings	-	-	-	-
- Trade and other payables	90,604	-	-	-
- Tax payable	39,901	-	-	-

Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may limit the amount of dividends paid to shareholders.

The company ensures that funds are available for capital developments by capping the dividends payable. The dividends paid and proposal are shown in Note 11.

Notes (continued)

5. Segmental reporting

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Group operates in two geographical areas in Kenya; Makuyu and Nandi Hills under several operating segments. The principal operating segments currently consist of Avocados and Tea. Macadamia will become a reportable operating segment in future (currently under all other segments) as it is expected to materially contribute to Group sales in the future. Other segments derive their sales from forestry, livestock, fresh pineapples and joint projects and are included under "all other segments" as they individually fall below the threshold of 10% of Group sales.

Segmental assets consist primarily of property, plant and equipment, biological assets, inventories, receivables and prepayments. Unallocated assets are property, plant and equipment, inventories relating to Main Office and Engineering and tax recoverable. Segmental liabilities consist primarily of borrowings, payables and accrued expenses. Unallocated liabilities are taxes, borrowings and non-current liabilities. The segment information for the reportable segments for the year ended 31 December 2010 and 31 December 2009 is as follows:

	2010	2009	2010	2009	2010	2009	2010	2009
	Tea		Avocados		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Sales								
Sales to external customers	1,089,627	888,908	816,722	818,575	207,425	300,674	2,113,774	2,008,157
Comprising:								
Major external customers sales	830,505	551,359	800,929	805,111	-	21,262	1,631,434	1,377,732
All other external customers sales	259,122	337,549	15,793	13,464	207,425	279,412	482,340	630,425
	1,089,627	888,908	816,722	818,575	207,425	300,674	2,113,774	2,008,157
Geographical analysis:								
United Kingdom	325,964	365,495	186,085	153,788	-	-	325,964	519,283
Continental Europe	55,579	3,386	614,844	651,323	-	-	856,508	654,709
Kenya	502,712	406,708	15,793	13,464	207,425	300,674	725,930	720,846
Others	205,372	113,319	-	-	-	-	205,372	113,319
	1,089,627	888,908	816,722	818,575	207,425	300,674	2,113,774	2,008,157

Notes (continued)

5. Segmental reporting (continued)

	2010	2009	2010	2009	2010	2009	2010	2009
	Tea		Avocados		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000 restated
Profit/(loss)								
Gross profit /(loss) before depreciation and fair value changes in biological assets	439,573	293,395	506,846	507,059	(70,137)	51,157	876,282	857,611
Depreciation charge	(8,752)	(9,028)	(16,538)	(15,553)	(21,637)	(20,815)	(46,927)	(45,396)
Changes in fair value of biological assets	61,400	6,600	(15,989)	(7,050)	79,426	65,013	124,837	64,563
Gross profit	492,221	290,967	474,319	484,456	(12,348)	101,355	954,192	876,778
Distribution costs	(67,497)	(55,421)	(375,773)	(282,175)	-	-	(443,270)	(337,596)
Segment profit	424,724	235,546	98,546	202,281	(12,348)	101,355	510,922	539,182
Other unallocated income and expenses								
Other income					28,911	16,095	28,911	16,095
Interest income					14,515	6,084	14,515	6,084
Finance costs					(414)	(19,473)	(414)	(19,473)
Profit on sale of shares in subsidiary					-	17,002	-	17,002
Profit before income tax	424,724	235,546	98,546	202,281	30,664	121,063	553,934	558,890
Income tax expense	(129,116)	(68,779)	(29,958)	(59,066)	(9,481)	(40,750)	(168,555)	(168,595)
Profit for the year	295,608	166,767	68,588	143,215	21,183	80,313	385,379	390,295
Assets (all located in Kenya)								
Segment assets	1,049,440	971,358	888,560	890,246	871,920	790,685	2,809,920	2,652,289
Unallocated assets							408,671	220,966
							3,218,591	2,873,255
Liabilities								
Segment liabilities	232,033	197,385	45,272	31,887	(23,249)	30,671	254,056	368,967
Unallocated liabilities							127,839	44,188
							381,895	413,155
Additions								
Property, plant and equipment	12,157	4,132	7,854	4,456	37,335	8,046	57,346	16,634
Biological assets	-	-	23,555	12,557	56,433	65,478	79,988	78,035
	12,157	4,132	31,409	17,013	93,768	73,524	137,334	94,669

Notes (continued)

6 Other Income

	2010 Shs'000	2009 Shs'000
Net foreign exchange gain/(loss), other than on borrowings	842	(1,517)
Gain on disposal of property, plant and equipment	638	1,307
Rental Income	6,369	4,558
Sundry	21,062	11,747
	28,911	16,095

7 Net finance income (costs)

Finance income		
Interest income on short term bank deposits	14,515	6,084
Finance cost		
Interest expense on bank borrowings	(414)	(19,473)
Net finance income (cost)	14,101	(13,389)

8 Expenses by nature

The following items have been charged/(credited) in arriving at profit before income tax:-

	2010 Shs'000	2009 Shs'000
Depreciation on property, plant and equipment (Note 16)	46,927	45,396
Repairs and maintenance expenditure on property, plant and equipment	13,342	34,375
Profit on sale of shares in subsidiary (Note 19(d))	-	17,002
Amortisation of prepaid operating lease rentals (Note 18)	9	9
Gain arising from changes in fair value less costs to sell of biological assets (Note 17)	(124,837)	(64,562)
Inventories expensed	1,108,515	969,049
Employee benefits expense (Note 9)	428,624	331,697
Auditors' remuneration	5,014	4,631

Notes (continued)

9 Employee benefits expense

The following items are included within employee benefits expense:

	2010 Shs'000	2009 Shs'000
Salaries and wages	399,697	314,165
Post-employment benefits costs:		
Post-employment benefit obligations (Note 15)	18,678	9,370
Defined contribution scheme	2,572	2,258
National Social Security Fund	7,677	5,904
	428,624	331,697

10 Income tax expense

	2010 Shs'000	2009 Shs'000
Current income tax	124,848	141,292
Deferred income tax (Note 14)	43,707	27,303
Income tax expense	168,555	168,595

The tax on the group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2010 Shs'000	2009 Shs'000
Profit before income tax	553,934	558,890
Tax calculated at the statutory income tax rate of 30% (2009: 30%)	166,181	167,667
Tax effect of:		
Income not subject to income tax	-	(5,216)
Expenses not deductible for income tax purposes	2,156	1,633
Under/Over provision of deferred income tax in prior years	7,846	(202)
Over/Under provision of current income tax in prior years	(7,628)	4,713
Income tax expense	168,555	168,595

Notes (continued)

11 Earnings and dividends – Group

i) Basic and diluted earnings per stock unit

Basic and diluted earnings per stock unit is calculated on the profit attributable to the members of Kakuzi Limited and on the 19,599,999 stock units in issue at 31 December 2010 and 31 December 2009.

The company had no potentially dilutive stock units outstanding at 31 December 2010 and 31 December 2009.

	2010	2009
Profit attributable to equity holders of the company (Shs '000)	311,123	339,897
Number of stock units in issue (thousands)	19,600	19,600
Basic and diluted earnings per stock unit (Shs)	15.87	17.34

ii) Dividends per stock unit

At the annual general meeting to be held on 25 May 2011, the directors will recommend the payment of a first and final dividend of 50% equivalent to Sh 2.50 per stock unit (2009: Sh 2.50) in respect of the year ended 31 December 2010.

12 Share capital

	Number of stock units (Thousands)	Ordinary shares Shs '000
Authorised		
At 1 January 2009, 31 December 2009 and 31 December 2010	20,000	100,000
Issued and converted into stock units		
At 1 January 2009, 31 December 2009 and 31 December 2010	19,600	98,000

The par value of the stocks is Shs 5 per stock unit. In accordance with the Articles of Association, all fully paid-up shares of the company are converted into stock units at the time of issue.

Notes (continued)

13 Borrowing facilities – Group and Company

	2010 Shs'000	2009 Shs'000
The group has the following undrawn committed borrowing facilities:		
Floating rate (expiring within one year)	626,300	626,300

The facilities expiring within one year are annual facilities subject to review at various dates during the year 2012.

The undrawn bank facilities of Shs 226,300,000 are secured by a legal charge on LR 10779/1 Nandi Hills and the remaining undrawn bank facilities of Shs 400,000,000 are secured by an undertaking, at any time if and when required by the banks, to execute legal or other mortgages and charges including fixed or floating charges or assigned in favour of the banks.

14 Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2009: 30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2010 Shs'000	2009 Shs'000	2010 Shs'000	2009 Shs'000
At start of year:				
- as previously stated	554,511	527,208	469,124	435,987
- prior year adjustment (Note 26)	(32,709)	(32,709)	(32,709)	(32,709)
- as restated	521,802	494,499	436,415	403,278
Charge to statement of comprehensive income within 'income tax expense'	43,707	27,303	37,005	33,137
At end of year	565,509	521,802	473,420	436,415

The following amounts, determined after appropriate offsetting are shown in the statement of financial position.

	Group		Company	
	2010 Shs'000	2009 Shs'000 As restated	2010 Shs'000	2009 Shs'000 As restated
Deferred income tax assets	(69,553)	(64,980)	(63,058)	(61,414)
Deferred income tax liabilities	635,062	586,782	536,478	497,829
At end of year	565,509	521,802	473,420	436,415

Notes (continued)

14 Deferred income tax (continued)

Consolidated deferred income tax assets and liabilities, and deferred income tax charge/(credit) in the statement of comprehensive income within ‘cost of production’ (SCI) are attributable to the following items:

Year ended 31 December 2009 - Group

	Balance 1.1.2009 Shs’000 As restated	Charged/ (credit) to SCI Shs’000	Balance 31.12.2009 Shs’000
Property, plant and equipment	147,307	(6,472)	140,835
Biological assets	433,603	11,945	445,548
Provisions for liabilities	(49,334)	(1,473)	(50,807)
Tax losses carried forward	(23,280)	23,280	-
Capital development expenditure	(14,173)	-	(14,173)
Other temporary differences	376	23	399
Net deferred income tax liability	494,499	27,303	521,802

Year ended 31 December 2010 - Group

	Balance 1.1.2010 Shs’000 As restated	Charged/ (credit) to SCI Shs’000	Balance 31.12.2010 Shs’000
Property, plant and equipment	140,835	(3,146)	137,689
Biological assets	445,548	51,825	497,373
Provisions for liabilities	(50,807)	(4,057)	(54,864)
Capital development expenditure	(14,173)	806	(13,367)
Other temporary differences	399	(1,721)	(1,322)
Net deferred income tax liability	521,802	43,707	565,509

Notes (continued)

14 Deferred income tax (continued)

Company deferred income tax assets and liabilities, and deferred income tax charge/(credit) in the statement of comprehensive income within 'cost of production' (SCI) are attributable to the following items:

Year ended 31 December 2009 - Company

	Balance 1.1.2009 Shs'000 As restated	Charged/ (credit) to SCI Shs'000	Balance 31.12.2009 Shs'000
Property, plant and equipment	132,210	(5,464)	126,746
Biological assets	354,703	16,325	371,028
Provisions for liabilities	(46,214)	(1,027)	(47,241)
Tax losses carried forward	(23,280)	23,280	-
Capital development expenditure	(14,173)	-	(14,173)
Other temporary differences	32	23	55
Net deferred income tax liability	403,278	33,137	436,415

Year ended 31 December 2010 - Company

	Balance 1.1.2010 Shs'000 As restated	Charged/ (credit) to SCI Shs'000	Balance 31.12.2010 Shs'000
Property, plant and equipment	126,746	(4,912)	121,834
Biological assets	371,028	43,545	414,573
Provisions for liabilities	(47,241)	(2,450)	(49,691)
Capital development expenditure	(14,173)	806	(13,367)
Other temporary differences	55	16	71
Net deferred income tax liability	436,415	37,005	473,420

Notes (continued)

15. Post-employment benefit obligations - Group

The amounts recognised in the statement of financial position are determined as follows:

	Gratuity		Service Gratuity		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Present value of post-employment benefit obligations	48,112	37,368	22,185	19,951	70,297	57,319
Split as follows:						
Non-current portion					58,899	50,004
Current portion					11,398	7,315

The movement in present value of the post-employment benefit obligations is as follows:

	Gratuity		Service Gratuity		Total	
	2010	**2009**	**2010**	**2009**	**2009**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Liability at start of year	37,368	41,759	19,951	15,486	57,319	57,245
Net expense recognised in the income statement	13,438	4,285	3,345	5,085	16,783	9,370
Benefits paid	(2,694)	(8,676)	(1,111)	(620)	(3,805)	(9,296)
Liability at end of year	48,112	37,368	22,185	19,951	70,297	57,319

Notes (continued)

15. Post-employment benefit obligations – Group (continued)

The amounts recognised in the statement of comprehensive income within 'cost of production' for the year are as follows:

	Gratuity		Service Gratuity		Total	
	2010	2009	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Current service cost	3,928	3,431	2,693	5,085	8,516	8,516
Interest on obligation	3,651	3,294	1,816	-	5,467	3,294
Net actuarial (gains)/losses recognised in the year	5,859	(2,440)	(1,164)	-	4,695	(2,440)
Total included in employee benefits expenses (Note 9)	13,438	4,285	3,345	5,085	18,678	9,370

The principal actuarial assumptions used are as follow:

	Gratuity		Service Gratuity	
	2010	2009	2010	2009
Discount rate (% p.a.)	9%	10%	9%	10%
Future salary increases (% p.a.)	10% in first year 8% thereafter	8%	10% in first year 8% thereafter	8%

Five year summary:	2010	2009	2008	2007	2006
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Present value of post-employment benefit obligations	70,297	57,319	57,245	46,107	40,137
Net expense recognised in the statement of comprehensive income within 'cost of production'	18,678	9,370	14,179	11,825	12,329

Notes (continued)

15. Post-employment benefit obligations - Company

The amounts recognised in the statement of financial position are determined as follows:

	Gratuity		Service Gratuity		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Present value of post-employment benefit obligations	20,939	16,166	22,185	19,951	43,124	36,117
Split as follows:						
Non-current portion					36,480	32,398
Current portion					6,644	3,719

The movement in present value of the post-employment benefit obligations is as follows:

	Gratuity		Service Gratuity		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Liability at start of year	16,166	17,845	19,951	15,486	36,117	33,331
Net expense recognised in the income statement	6,160	1,576	3,345	5,085	9,505	6,661
Benefits paid	(1,387)	(3,255)	(1,111)	(620)	(2,498)	(3,875)
Liability at end of year	20,939	16,166	22,185	19,951	43,124	36,117

Notes (continued)

15. Post-employment benefit obligations – Company (continued)

The amounts recognised in the statement of comprehensive income within 'cost of production' for the year are as follows:

	Gratuity		Service Gratuity		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Current service cost	1,738	1,597	2,693	5,085	4,431	6,682
Interest on obligation	1,555	1,450	1,816	-	3,371	1,450
Net actuarial (gains)/losses recognised in the year	2,867	(1,471)	(1,164)	-	1,703	(1,471)
Total included in employee benefits expenses	6,160	1,576	3,345	5,085	9,505	6,661

The principal actuarial assumptions used are as follow:

	Gratuity		Service Gratuity	
	2010	**2009**	**2010**	**2009**
Discount rate (% p.a.)	9%	10%	9%	10%
Future salary increases (% p.a.)	10% in first year 8% thereafter	8%	10% in first year 8% thereafter	8%

Five year summary:	**2010**	**2009**	**2008**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Present value of post-employment benefit obligations	43,124	36,117	33,331	27,260	40,137
Net expense recognised in the statement of comprehensive income within 'cost of production'	9,505	6,661	7,446	7,775	12,329

Notes (continued)

16 Property, plant and equipment

Group	Buildings, freehold land, dams and improvements Shs'000	Plant & machinery Shs'000	Motor vehicles, tractors, trailers and implements Shs'000	Furniture, fittings and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Year ended 31 December 2009						
Cost						
At start of year	947,021	209,271	123,403	37,993	5,123	1,322,811
Transfers	1,375	27	2,974	554	(4,930)	-
Additions	8,134	-	2,161	3,260	3,079	16,634
Disposals	(283)	-	(2,416)	(235)	-	(2,934)
At end of year	956,247	209,298	126,122	41,572	3,272	1,336,511
Depreciation and impairment						
At start of year	435,750	120,373	98,000	35,194	-	689,317
Charge for the year	23,457	11,292	7,530	3,117	-	45,396
On disposals	(205)	-	(2,247)	(196)	-	(2,648)
At end of year	459,002	131,665	103,283	38,115	-	732,065
Net book amount	497,245	77,633	22,839	3,457	3,272	604,446
Depreciation and impairment at year end comprises:						
Depreciation	381,412	131,076	103,283	37,740	-	653,511
Impairment	77,590	589	-	375	-	78,554
	459,002	131,665	103,283	38,115	-	732,065

Bank borrowings facilities are secured on land, buildings and development to the value disclosed in Note 13

Notes (continued)

16 Property, plant and equipment (continued)

Group	Buildings, freehold land, dams and improvements Shs'000	Plant & machinery Shs'000	Motor vehicles, tractors, trailers and implements Shs'000	Furniture, fittings and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Year ended 31 December 2010						
Cost						
At start of year	956,247	209,298	126,122	41,572	3,272	1,336,511
Transfers	3,271	-	-	-	(3,271)	-
Additions	15,923	12,898	17,999	3,843	6,683	57,346
Disposals	(181)	-	(2,667)	(1,630)	-	(4,478)
At end of year	975,260	222,196	141,454	43,785	6,684	1,389,379
Depreciation and impairment						
At start of year	459,002	131,665	103,283	38,115	-	732,065
Charge for the year	22,816	10,604	10,891	2,616	-	46,927
On disposals	(46)	-	(1,476)	(1,506)	-	(3,028)
At end of year	481,772	142,269	112,698	39,225	-	775,964
Net book amount	493,488	79,927	28,756	4,560	6,684	613,415
Depreciation and impairment at year end comprises:						
Depreciation	404,182	141,680	112,698	38,850	-	697,410
Impairment	77,590	589	-	375	-	78,554
	481,772	142,269	112,698	39,225	-	775,964

Bank borrowings facilities are secured on land, buildings and development to the value disclosed in Note 13

Notes (continued)

16 Property, plant and equipment (continued)

Company

	Buildings, freehold land, dams and improvements Shs'000	Plant & machinery Shs'000	Motor vehicles, tractors, trailers and implements Shs'000	Furniture, fittings and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Year ended 31 December 2009						
Cost						
At start of year	866,793	106,201	109,848	33,288	3,891	1,120,021
Transfers	170	-	2,974	554	(3,698)	-
Additions	7,649	-	2,161	2,890	3,079	15,779
Disposals	(207)	-	(2,416)	(173)	-	(2,796)
At end of year	874,405	106,201	112,567	36,559	3,272	1,133,004
Depreciation and impairment						
At start of year	403,088	37,856	86,898	31,210	-	559,052
Charge for the year	22,002	7,550	6,717	2,277	-	38,546
On disposals	(174)	-	(2,247)	(173)	-	(2,594)
At end of year	424,916	45,406	91,368	33,314	-	595,004
Net book amount	449,489	60,795	21,199	3,245	3,272	538,000
Depreciation and impairment at year end comprises:						
Depreciation	347,326	44,817	91,368	32,939	-	516,450
Impairment	77,590	589	-	375	-	78,554
	424,916	45,406	91,368	33,314	-	595,004

Notes (continued)

16 Property, plant and equipment (continued)

Company	**Buildings, freehold land, dams and improvements Shs'000**	**Plant & machinery Shs'000**	**Motor vehicles, tractors, trailers and implements Shs'000**	**Furniture, fittings and equipment Shs'000**	**Capital work in progress Shs'000**	**Total Shs'000**
Year ended 31 December 2010						
Cost						
At start of year	874,405	106,201	112,567	36,559	3,272	1,133,004
Transfers	3,272	-	-	-	(3,272)	-
Additions	15,893	1,977	17,700	3,630	6,684	45,884
Disposals	(181)	-	(2)	(1,629)	-	(1,812)
At end of year	893,389	108,178	130,265	38,560	6,684	1,177,076
Depreciation and impairment						
At start of year	424,916	45,406	91,368	33,314	-	595,004
Charge for the year	20,947	6,854	10,220	2,313	-	40,334
On disposals	(47)	-	(2)	(1,505)	-	(1,554)
At end of year	445,816	52,260	101,586	34,122	-	633,784
Net book amount	447,573	55,918	28,679	4,438	6,684	543,292
Depreciation and impairment at year end comprises:						
Depreciation	368,226	51,671	101,586	33,747	-	555,230
Impairment	77,590	589	-	375	-	78,554
	445,816	52,260	101,586	34,122	-	633,784

Notes (continued)

17 Biological assets

Changes in carrying amounts of biological assets comprise:

	Group			Company		
	Livestock Shs'000	Permanent plantation Shs'000	Total Shs'000	Livestock Shs'000	Permanent plantation Shs'000	Total Shs'000
Year ended 31 December 2009						
At start of year	91,583	1,473,079	1,564,662	91,583	1,210,079	1,301,662
Increase due to purchases and development	22,867	55,168	78,035	22,867	53,770	76,637
Gains arising from changes in fair value less costs to sell	34,306	30,256	64,562	34,306	21,014	55,320
Decrease due to harvest and sales	(38,581)	(45,609)	(84,190)	(38,581)	(20,369)	(58,950)
At end of year	110,175	1,512,894	1,623,069	110,175	1,264,494	1,374,669
Year ended 31 December 2010						
At start of year	110,175	1,512,894	1,623,069	110,175	1,264,494	1,374,669
Increase due to purchases and development	8,973	71,015	79,988	8,973	69,820	78,793
Gains arising from changes in fair value less costs to sell	28,897	95,940	124,837	28,897	64,821	93,718
Decrease due to harvest and sales	(26,518)	(21,940)	(48,458)	(26,518)	(17,226)	(43,744)
At end of year	121,527	1,657,909	1,779,436	121,527	1,381,909	1,503,436

Notes (continued)

17 Biological assets (continued)

Permanent plantings, which comprises tea, timber plantations, avocado, pineapple, macadamia, and livestock are carried at fair value less costs to sell.

The fair value of avocado is determined based on the discounted net present values of expected net cash flow, discounted at a current market determined pre-tax rate of 17.5% per annum. The key assumptions made concerning the future are as follows:

- avocado – projected lifespan of 25 years
- climatic condition will remain the same
- the market price will remain constant
- no account has been taken of inflation

The fair value of macadamia plantation is based on cost because insignificant biological transformation has taken place.

The fair value of other permanent plantings, where meaningful market-determined prices exist, is determined by external independent valuation based on recent market transaction prices.

For permanent plantings, decrease due to harvest and sales is applicable to timber plantations and pineapple only.

The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

Notes (continued)

17 Biological assets (continued)

	Group 2010 Hectares	Company 2010 Hectares	Group 2009 Hectares	Company 2009 Hectares
Areas planted with the various crops at the year end				
Tea	960	496	959	496
Timber plantations	1,739	1,534	1,698	1,476
Avocado	409	409	377	377
Pineapple	42	42	39	39
Macadamia	444	444	352	352
	Head	**Head**	**Head**	**Head**
Cattle numbers at the year end	5,123	5,123	4,738	4,738
	Metric tonnes	**Metric tonnes**	**Metric tonnes**	**Metric tonnes**
Output of agricultural produce during the year				
Tea (green leaf)	15,298	6,907	11,947	5,475
Avocado	7,748	7,748	6,319	6,319
Pineapple	1,571	1,571	1,332	1,332
	Cubic metres	**Cubic metres**	**Cubic metres**	**Cubic metres**
Timber harvested during the year was:	8,902	6,585	46,646	31,971

Notes (continued)

17 Biological assets (continued)

	Group		Company	
	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000
Fair value of the agricultural output after deducting costs to sell:				
Tea (green leaf)	566,078	429,443	254,989	196,523
Avocado	368,185	368,570	368,185	368,570
Pineapple	32,272	26,109	32,272	26,109
Others	132,728	149,852	122,135	124,612
	1,099,263	973,974	777,581	715,814

18 Prepaid operating lease rentals

	Group		Company	
	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	8,117	8,126	4,424	4,429
Amortization charge for the year	(9)	(9)	(5)	(5)
At end of year	8,108	8,117	4,419	4,424

19 Investment in subsidiaries

(a) The subsidiary companies are all incorporated in Kenya and have the same year end. Estates Services Limited and Kaguru (EPZ) Limited are wholly owned and are dormant. Siret Tea Company Limited is 50.5% owned (2009: 59% owned) and was dormant until 1 October 2007 when it acquired the business relating to Siret Tea Estate and Factory, from the parent company, Kakuzi Limited.

Year ended 31 December 2009	**Siret Tea Company Limited Shs'000**	**Kaguru EPZ Limited Shs'000**	**Estates Services Limited Shs'000**	**Total Shs'000**
At start of year	167,412	1,670	2,625	171,707
Disposal of shares in subsidiary	(37,448)	-	-	(37,448)
At end of year	129,964	1,670	2,625	134,259

Notes (continued)

19 Investment in subsidiaries (continued)

Year ended 31 December 2010	Siret Tea Company Limited Shs'000	Kaguru EPZ Limited Shs'000	Estates Services Limited Shs'000	Total Shs'000
At start of year	129,964	1,670	2,625	134,259
Disposal of shares in subsidiary	(18,723)	-	-	(18,723)
At end of year	111,241	1,670	2,625	115,536

(b) Sale of shares in Siret Tea Company Limited

In the year 2007, the company entered into a framework agreement with EPK Outgrowers Empowerment Project Company Limited for the eventual sale of Siret Tea Estate, Factory and its associated business. Under the terms of the agreement, Siret Tea Estate, Factory and its associated business was transferred from Kakuzi Limited to Siret Tea Company Limited to facilitate the sale of business to EPK Outgrowers Empowerment Project Company Limited. The company has sold its shareholding in Siret Tea Company Limited to EPK Outgrowers Empowerment Project Company Limited as follows:

	Year 2007	Year 2008	Year 2009	Year 2010	Total
Percentage shareholding sold	14%	10%	17%	8.50%	49.5%
Cash consideration (Shs'000)	53,900	38,500	72,883	38,101	149,484

EPK Outgrowers Empowerment Project Company Limited has the option to acquire all (but not part only) of the remaining 50.5% shareholding in STCL by 31 December 2010.

(c) Non controlling interest acquisition - Group

Acquisition of additional stake by non controlling shareholders amounting to Shs 36,317,000 (2009: Shs 55,881,000) has been accounted for in the consolidated statement of changes in equity.

Notes (continued)

19 Investment in subsidiaries (continued)

(d) Profit on sale of shares in subsidiary – Group and Company

The profit on sale of shares in subsidiary has been credited to statement of comprehensive income as follows:

	Group		Company	
	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000
Sale proceeds	38,101	72,883	38,101	72,883
Related cost of investment	-	-	(18,723)	(37,448)
Related carrying value of investment	(36,317)	(55,881)	-	-
Profit on sale of shares in subsidiary accounted for in income statement	-	17,002	19,378	35,435
Effect of change in ownership interests accounting for in equity	1,784	-	-	-

20 Inventories

	Group		Company	
	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000
Made tea	38,982	82,677	-	-
Consumables	101,373	65,414	41,568	48,979
	140,355	148,091	41,568	48,979

Notes (continued)

21 Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	86,758	78,867	24,160	13,084
Due from related companies (Note 25(v))	2,951	17,328	136,967	109,359
Value Added Tax (VAT)	16,746	21,213	1,873	12,578
Other receivables	38,164	29,893	25,781	22,383
	144,619	147,301	188,781	157,404
Less non-current portion	(22,062)	(19,185)	(15,415)	(16,630)
	122,557	128,116	173,366	140,774
Non-current receivables				
Other receivables	22,062	19,185	15,415	16,630

All non-current receivables are due within five years from the statement of financial position date and are secured and interest free. None of the amounts were impaired (2009: Nil).

The carrying amounts of the current receivables approximate to their fair value.

22 Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000
		As restated		As restated
Trade payables	56,723	153,541	44,784	44,853
Due to related companies (Note 25(v))	9,214	3,461	10,483	8,383
Accrued expenses	32,615	30,752	27,515	20,211
Other payables	273,728	152,684	128,025	126,181
	372,280	340,438	210,807	199,628

The carrying amounts of the payables and accrued expenses approximate to their fair values.

Notes (continued)

23 Cash and cash equivalents

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Cash at bank and in hand	529,621	342,231	217,866	85,464

24 Cash generated from operations – Group

Reconciliation of profit before income tax to cash generated from operations:

	2010	**2009**
	Shs'000	**Shs'000**
Profit before income tax	553,934	558,890
Adjustments for:		
Interest income (Note 6)	(14,515)	(6,084)
Interest expense (Note 7)	414	19,473
Depreciation (Note 16)	46,927	45,396
Amortisation of prepaid operating lease rentals (Note18)	9	9
Profit on sale of property, plant and equipment	(638)	(1,307)
Profit on sale of shares in subsidiary (Note 19(d))	-	(17,002)
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 17)	(124,837)	(64,562)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 17)	48,458	84,190
Changes in working capital		
– inventories	7,736	(31,513)
– receivables and prepayments	2,682	100,563
– payables and accrued expenses	31,842	61,093
– retirement benefit obligations	12,979	74
Cash generated from operations	564,991	749,220

Notes (continued)

25 Related party transactions

The group is controlled by Camellia Plc, incorporated in England. Camellia Plc is the ultimate parent of the group. There are other companies that are related to Kakuzi Limited through common shareholdings or common directorships. Fellow subsidiaries within the Camellia Plc group act as brokers and managing agents for certain products of the Group.

The following transactions were carried out with related parties:

	Group		Company	
	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000
i) Sale of goods to:				
Eastern Produce Kenya Limited	55,906	102,719	45,088	42,844
Siret Tea Company Limited	-	-	254,989	175,377
	55,906	102,719	300,077	218,221
ii) Purchase of goods and services from:				
Linton Park Plc	-	14,218	-	14,218
Robert Bois Dickson Anderson Limited	33,834	35,265	4,197	5,628
Eastern Produce Kenya Limited	126,002	118,806	22,158	14,962
Siret Tea Company Limited	-	-	9,242	9,242
	159,836	168,289	35,597	44,050
iii) Key management compensation				
Salaries and other short-term employment benefits	31,020	29,860	31,020	29,860
Post-employment benefits	281	259	281	259
	31,301	30,119	31,301	30,119
iv) Directors' remuneration				
Fees for services as a director	800	400	800	400
Other emoluments (included in key management compensation above)	71	490	71	490
	871	890	871	890

Notes (continued)

25 Related party transactions (continued)

v) Outstanding balances arising from sale and purchase of goods and services

	Group		Company	
	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related companies				
Eastern Produce Kenya Limited	-	15,723	10,606	15,723
Siret Tea Company Limited	-	-	126,361	93,636
Robert Bois Dickson Anderson Limited	2,951	1,605	-	-
	2,951	17,328	136,967	109,359
Due to related companies				
Eastern Produce Kenya Limited	7,128	3,461	-	-
Estate Services Limited	-	-	2,570	2,570
Kaguru (EPZ) Limited	-	-	5,813	5,813
Eastern Produce Malawi Limited	2,086	-	2,086	-
	9,214	3,461	10,469	8,383

vi) Loans to related parties – Group and Company

	Directors	Other key management	Total
	Shs'000	Shs'000	Shs'000
Year ended 31 December 2009			
At start of year	-	160	160
Loan repayments during the year	-	(160)	(160)
At end of year	-	-	-
Year ended 31 December 2010			
At start of year	-		-
Loan repayments during the year	-		-
At end of year	-		-

Notes (continued)

26 Prior year adjustment

The company has received a claim for payment of Shs 109 million from Del Monte Kenya Ltd (DMKL) following the discovery of an alleged error made by DMKL in calculating the sale price of pineapples for the joint venture for the years 2007 and 2008. The prior year adjustment relates to errors in the determination of the company's share of profits of the joint venture. The impact of the prior year adjustment on the current year financial statements is as follows:-

	Shs'000
Increase in trade and other payables	(109,024)
Deferred income tax impact	32,709
Net decrease in net assets	76,315

27 Contingent liabilities – Group and Company

At 31 December 2010, the group did not have contingent liabilities (2009: Nil).

28 Commitments

i) Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	Group		Company	
	2010	2009	2010	2009
	Shs'000	Shs'000	Shs'000	Shs'000
Property, plant and equipment	4,045	6,411	3,026	6,411

ii) Operating lease commitments

At 31 December 2010 there were no future minimum lease payments under non-cancellable operating leases (2009: Nil)

Kakuzi Limited

Five year record

	2010 Shs'000	2009 Shs'000 As restated	2008 Shs'000 As restated	2007 Shs'000	2006 Shs'000
Turnover	2,113,774	2,008,157	1,504,192	1,512,118	1,399,194
Profit before income tax	553,934	558,890	281,165	270,330	189,752
Income tax (expense)/credit	(168,555)	(168,595)	74,562	(78,733)	(56,701)
Profit after income tax	385,379	390,295	206,603	191,597	133,051
Non controlling interest	(74,256)	(50,398)	(25,730)	(1,954)	-
Profit attributable to the members of Kakuzi Limited	311,123	339,897	180,873	189,643	133,051
Dividends: -					
Proposed final dividend - for the year	49,000	49,000	19,600	-	-
	49,000	49,000	19,600	-	-
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves and non controlling interest	2,112,504	1,790,294	1,393,318	1,167,916	945,269
Total equity	2,210,504	1,888,294	1,491,318	1,265,916	1,043,269
Basic earnings per stock unit (Shs)	15.87	17.34	9.23	9.68	6.79
Dividends per stock unit (Shs)	2.50	2.50	1.00	-	-
Dividend cover	6.35	6.94	9.23	-	-
Total equity per stock unit (Shs)	112.78	96.34	76.09	64.59	53.23

All amounts are stated in Kenya shillings thousands (shs'000) except where otherwise indicated.

Kakuzi Limited

Major stockholders and distribution schedule

MAJOR STOCKHOLDERS

Notes (continued)

The 10 major shareholders and their holdings as at 31 December 2010 were:

Stockholder name	Number of stock units	%
1. Bordure Limited*	5,107,920	26.06
2. Lintak Investments Limited*	4,828,714	24.64
3. John Kibunga Kimani	1,435,743	7.33
4. Standard Chartered Nominees Ltd – A/C 9230	627,912	3.20
5. Stanbic Nominees Kenya Ltd – A/C NR1030624	594,975	3.04
6. Standard Chartered Nominees Ltd – A/C 9854	476,800	2.43
7. Joseph Barrage Wanjui	315,334	1.61
8. G H Kluge & Sons Limited	239,118	1.22
9. Henry Richard Moszkowicz	205,912	1.05
10. HBSC Global Custody Nominee Ltd	200,000	1.02

* Camellia Plc incorporated in England, by virtue of its interests in Bordure Limited incorporated in England and Lintak Investments Limited incorporated in Kenya, is deemed to be interested in these stock units.

DISTRIBUTION SCHEDULE

The distribution of stock units as at 31 December 2010 was:

Stock units range	Number of stockholders	Number of stock units	%
Less than 500	763	159,652	0.81
501 to 5,000	650	1,233,071	6.29
5,001 to 10,000	81	618,935	3.16
10,001 to 100,000	96	2,648,628	13.51
100,001 to 1,000,000	14	3,567,336	18.20
Over 1,000,000	3	11,372,377	58.02
	1,607	19,599,999	100.00

Form of Proxy (Annual General Meeting)

I/We

………

of……………………………………………………………………………….being a member/members

of Kakuzi Limited, do hereby appoint ………………………………………………………………….,

or failing him/her, the duly appointed Chairman of the meeting to be my/our proxy, to vote for

me/us at the Annual General Meeting of the Company to be held at the Frangipani Room,

Nairobi Serena Hotel, Nairobi, Kenya on Wednesday 25 May 2011 at 12.00 noon and at any

adjournment thereof.

As witness my/our hand(s) this………………………. day of ………………………………….2011

Signature……………………………………………………………………………………………

Unless otherwise indicated, the proxy will vote as he/she thinks fit.

Notes:

(1) In the case of joint holders, only one need sign as the vote of the senior holder who tenders a vote will alone be counted. Seniority will be determined by the order in which the names appear in the Register of Members. The names of all the joint holders should be stated.

(2) If the appointer is a corporation, the proxy must be executed under its common seal or under the hand of an Officer or Attorney duly authorised in writing.

To be valid, this proxy must be deposited at the Registered Office of the Company not less than 24 hours before the time appointed for holding the meeting.

FOLD 2

STAMP

FOLD 1

Kakuzi Limited
P O Box 24
Thika 01000

FOLD 3

INSERT FLAP INSIDE