KAKUZI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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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) 2211773

SUBSIDIARY COMPANIES

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

AUDITOR

PricewaterhouseCoopers
The Rahimtulla Tower
Upper Hill Road
P O Box 43963
00100 NAIROBI

SECRETARY AND OFFICE AT WHICH REGISTER OF SECURITIES IS KEPT

John L G Maonga
Maonga Ndonye Associates
P. O Box 7324
00200 NAIROBI
Telephone (020) 2149923

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 Securities Exchange and the London Stock Exchange.

NOTICE is hereby given that the Eighty Fourth Annual General Meeting of the members of the Company will be held in the Ballroom, Nairobi Serena Hotel, Nairobi on Thursday 24 May 2012 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 Third Annual General Meeting held on 25 May 2011.
4. To receive, consider and adopt the financial statements for the year ended 31 December 2011 together with the reports of the Chairman, Directors and of the Independent Auditors thereon.
5. To declare a first and final dividend of Shs 3.75 per stock unit (2010: Ksh 2.50) for the financial year ended 31 December 2011.
6. To elect Directors: -

    (a) In accordance with Article 86 of the Company's Articles of Association, Mr. Richard Kemoli and Mr. C J Ames 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. Richard Kemoli, 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 2011.
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.

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass the following resolution as a Special Resolution:-

    Adoption of new Articles of Association

    "That the regulations contained in the document now submitted to this meeting and, for the purpose of identification, initialed by the Chairman of the Company be approved and adopted as the new Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association thereof."

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

30 March 2012

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.

RESULTS

The profit before tax is Kshs 920 million (2010: Kshs 559 million). The net profit attributable to members of Kakuzi Limited is Kshs 550 million (2010: Kshs 313 million). It should be noted the profit before tax accounts for gains arising from changes in fair value of biological assets amounting to Kshs 217 million (2010: Kshs 125 million) and a favourable write back of Kshs109 million due to the satisfactory conclusion of the claim against Kakuzi Ltd made by Del Monte Kenya Limited. This write back was provided as a prior year adjustment in the accounts for 2010. This exceptional write back of provision should be deducted when comparing 2011 operational performance with 2010. The Kshs109 million has no cash impact on the results. The profits are considered satisfactory and have been favourably affected by the exchange rate together with reasonable prices attained on both tea and avocado production.

MAKUYU OPERATIONS

Most of the year has seen well below the long term average rainfall pattern and it was not until the last quarter of the year that we had reasonable rainfall. Our dams maintained adequate operating levels to meet irrigation needs. The early AVOCADO Fuerte crop throughput was similar to last year's level (2011: 1,213 tonnes; 2010: 1,241 tonnes) but with much improved prices. The Hass crop was lower than the previous year (2011: 3,538 tonnes; 2010: 4,946 tonnes) but sales value increased both in Euros and Sterling and more favourably in Kenya Shillings terms. The favourable price impact was due mainly to a shortage of supply to the markets in Europe. Unfortunately port and shipping logistics continued to be problematical which is of concern for a market that requires speedy delivery to guarantee a high quality product. Kakuzi is now the major exporter of Kenyan avocados. Our Pack House operation performed well and we now have 411 hectares of avocado planted under irrigation. The drier conditions during the year have resulted in improved demand for CATTLE and the operation produced a positive cash return. We held close to 4,400 head of cattle at the year end. The PINEAPPLE Joint Project Agreement produced a small return towards profits. FORESTRY continues with its long term focus and the value added side of the operation maintained a reasonable profit. Ongoing investment continues in MACADAMIA plantings. Preliminary work has now started in building a de-husking facility which will be followed by a cracking facility scheduled for 2016. We expect to harvest a small crop from early planting during 2012. There is now 480 Hectares planted to macadamia. Negotiations with the LABOUR Union have been fraught with difficulty throughout the year and although Kakuzi has followed the law correctly and dealt with negotiations in a diligent and professional manner, there have been several incidences of unruly behaviour on our Estates which has put both personnel and property at risk. During the year unprecedented reports of arson and destruction of crops were experienced on our properties.

NANDI HILLS – TEA

Rainfall levels were lower than last year and this together with a harsh frost at the year-end resulted in lower estate cropping levels (2011: 3,063 tonnes; 2010: 3,687 tonnes). Factory production was also down (2011: 3,844 tonnes; 2010: 4,828 tonnes.). Prices were slightly up over 2010 in US$ terms and the weaker shilling resulted in satisfactory returns towards the profitability of the Group. The Outgrowers Empowerment Project continues with their objective to purchase the remaining 50.5% of the shareholding in Siret Tea Company Limited before the end of December 2013. Kaboswa Estate (510 hectares of tea) will still remain with Kakuzi.

CORPORATE GOVERNANCE

This area continues to be a strong focus for your Board of Directors. The momentum on the Company's Corporate Social Responsibility initiative continues. Our attention to quality production continues to receive a high level of international recognition. Operational sustainability as regards our own resources for fuel wood on our tea operations and protection of water resources for our dams is satisfactory. Your Board of Directors have been both professional and diligent in ensuring shareholders' interests are recognized and adhered to through both local and international standards.

LAND

This subject was referred to for the first time in last year's report. With this aspect being a very topical and emotive issue in our New Constitution, I feel it appropriate to emphasise that Kakuzi will continue to invest in realizing its full agricultural resources in the interest of all our Shareholders.

STAFF AND DIRECTORS

I must firstly on behalf of my fellow Directors thank staff at all levels who have demonstrated strong corporate support and at times extended themselves well beyond their call of duty. I must also recognize my fellow Directors who have been resolute in their determination in speaking with one voice to ensure at all times both the long and short term interests of Kakuzi are protected.

DIVIDEND

The Board recommends the payment of a 75% dividend equivalent to Kshs 3.75 per stock unit

PROSPECTS

I make no apologies for, as always, being somewhat vague as to the future. We have started the year with very dry conditions which have in particular, affected our tea crop. It is pleasing to report that in February 2012 we satisfactorily resolved the Kshs109 million dispute with Del Monte Kenya Ltd. This matter had been under negotiation for over twelve months. The Kenya Shilling seems to have stabilized which will make forecasting both on income and expenditure a little easier. World recessionary forces however continue and are likely to take a long time to resolve. These have, to-date, had no significant impact on our export production but we must always be cognizant of the fact that there could be an adverse impact in the future. Local inflationary trends are of real concern. We however move forward with a satisfactory cash balance which I believe places us in a strong position to proceed with both our present and ongoing investments.

K W TARPLEE
CHAIRMAN

30 March 2012

The directors submit their report together with the audited financial statements for the year ended 31 December 2011, 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 644,397,000 (2010: Shs 388,666,000) has been added to retained earnings. The directors recommend the approval of a first and final dividend of Shs 3.75 (2010: Shs 2.50) per stock unit.

The results for the year are set out on pages 11 to 56 in the attached financial statements.

ANNUAL GENERAL MEETING

The Eighty Fourth Annual General Meeting of the company will be held in the Ballroom, Nairobi Serena Hotel, Nairobi, on 24 May 2012 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 2011		**At 31 December 2010**	
	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. Richard Kemoli and Mr. C J Ames 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 30 March 2012.

By order of the Board

K R Shah
Director

30 March 2012

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.

K R Shah	**G H Mclean**
30 March 2012	30 March 2012

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.

K R Shah	**G H Mclean**
30 March 2012	30 March 2012

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS 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 56. These financial statements comprise the consolidated statement of financial position at 31 December 2011 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 2011 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 entity'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 2011 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 SHAREHOLDERS 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 30 March 2012
Nairobi

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2011 Shs'000	2010 Shs'000 As restated
Sales	5	2,376,862	2,113,774
Gains arising from changes in fair value less costs to sell of biological assets	17	217,422	124,837
		2,594,284	2,238,611
Cost of production		(1,426,866)	(1,279,724)
Gross profit		1,167,418	958,887
Release of provision	26	109,024	-
Other income	6	28,523	28,069
Distribution costs		(432,540)	(443,270)
Operating profit		872,425	543,686
Finance income	7	47,668	15,357
Finance cost	7	-	(414)
Profit before income tax		920,093	558,629
Income tax expense	10	(275,696)	(169,963)
Profit for the year (of which Shs 507,766,000 has been dealt with in the accounts of the company)		644,397	388,666
Other comprehensive income			
Actuarial gains/(losses) on post employment benefit obligations (net of tax)	15	3,991	(3,287)
Total comprehensive income		648,388	385,379
Profit attributable to:			
Equity holders of the company		549,936	313,374
Non controlling interest		94,461	75,292
Total comprehensive income attributable to:			
Equity holders of the company		553,151	311,123
Non controlling interest		95,237	74,256
		Shs	**Shs**
Earnings per share attributable to equity holders of the company:			
Basic and diluted earnings per stock unit	11	28.06	15.99

Consolidated statement of financial position

	Notes	31 December 2011 Shs'000	31 December 2010 Shs'000 As restated	31 December 2009 Shs'000 As restated
EQUITY				
Share capital	12	98,000	98,000	98,000
Other reserves		2,413	(1,578)	1,709
Retained earnings		2,325,157	1,848,721	1,582,563
Proposed dividend	11	73,500	49,000	49,000
Attributable to company's equity holders		2,499,070	1,994,143	1,731,272
Non controlling interest		257,695	216,361	157,022
Total equity		2,756,765	2,210,504	1,888,294
Non-current liabilities				
Deferred income tax	14	652,631	565,509	521,802
Post employment benefit obligations	15	56,767	58,899	50,004
		709,398	624,408	571,806
		3,466,163	2,834,912	2,460,100
Non-current assets				
Property, plant and equipment	16	630,427	613,415	604,446
Biological assets	17	1,977,448	1,779,436	1,623,069
Prepaid operating lease rentals	18	8,099	8,108	8,117
Non-current receivables	21	26,701	22,062	19,185
		2,642,675	2,423,021	2,254,817
Current assets				
Inventories	20	179,830	140,355	148,091
Receivables and prepayments	21	97,483	122,557	128,116
Current income tax		-	3,036	-
Cash and cash equivalents	23	897,332	529,621	342,231
		1,174,645	795,569	618,438
Current liabilities				
Payables and accrued expenses	22	283,252	372,280	340,438
Current income tax		52,804	-	65,402
Post employment benefit obligations	15	15,101	11,398	7,315
		351,157	383,678	413,155
Net current assets		823,488	411,891	205,283
		3,466,163	2,834,912	2,460,100

The financial statements on pages 11 to 56 were approved for issue by the board of directors on 30 March 2012 and signed on its behalf by:

K R Shah
Director

G H Mclean
Director

Company statement of financial position

	Notes	31 December 2011 Shs'000	31 December 2010 Shs'000 As restated	31 December 2009 Shs'000 As restated
EQUITY				
Share capital	12	98,000	98,000	98,000
Other reserves		2,263	(162)	1,030
Retained earnings		2,170,032	1,735,766	1,483,108
Proposed dividend	11	73,500	49,000	49,000
Attributable to company's equity holders		2,343,795	1,882,604	1,631,138
Non-current liabilities				
Deferred income tax	14	547,746	473,420	436,415
Post employment benefit obligations	15	36,034	36,480	32,398
		583,780	509,900	468,813
		2,927,575	2,392,504	2,099,951
Non-current assets				
Property, plant and equipment	16	537,807	543,292	538,000
Biological assets	17	1,647,447	1,503,436	1,374,669
Prepaid operating lease rentals	18	4,414	4,419	4,424
Investment in subsidiaries	19	115,536	115,536	134,259
Non-current receivables	21	21,757	15,415	16,630
		2,326,961	2,182,098	2,067,982
Current assets				
Inventories	20	57,844	41,568	48,979
Receivables and prepayments	21	199,431	173,366	140,774
Cash and cash equivalents	23	511,927	217,866	85,464
		769,202	432,800	275,217
Current liabilities				
Payables and accrued expenses	22	110,091	210,807	199,628
Current income tax		49,161	4,943	39,901
Post employment benefit obligations	15	9,336	6,644	3,719
		168,588	222,394	243,248
Net current assets		600,614	210,406	31,969
		2,927,575	2,392,504	2,099,951

The financial statements on pages 11 to 56 were approved for issue by the board of directors on 30 March 2012 and signed on its behalf by:

K R Shah
Director

G H Mclean
Director

Consolidated statement of changes in equity

	Attributable to company's equity holders						
	Share capital Shs'000	**Other reserves 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 2010							
At start of year:							
- as previously stated	98,000	-	1,584,272	49,000	1,731,272	157,022	1,888,294
- prior year adjustment (Note 15)	-	1,709	(1,709)	-	-	-	-
- as restated	98,000	1,709	1,582,563	49,000	1,731,272	157,022	1,888,294
Total comprehensive income for the year:							
Profit for the year	-	-	313,374	-	313,374	75,292	388,666
Other comprehensive income							
Actuarial loss on post employment benefit obligations (net of tax) (Note 15)	-	(3,287)	-	-	(3,287)	-	(3,287)
Total	-	(3,287)	313,374	-	310,087	75,292	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 (Note 11 (ii))	-	-	-	(49,000)	(49,000)	-	(49,000)
- Proposed for 2010 (Note 11 (ii))	-	-	(49,000)	49,000	-	-	-
Total	-	-	(47,216)	-	(47,216)	(15,953)	(63,169)
At end of year	98,000	(1,578)	1,848,721	49,000	1,994,143	216,361	2,210,504

Consolidated statement of changes in equity (continued)

	Attributable to company's equity holders						
	Share capital Shs'000	Other reserves 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 2011							
At start of year:							
- as previously stated	98,000	-	1,847,143	49,000	1,994,143	216,361	2,210,504
- prior year adjustment (Note 15)	-	(1,578)	1,578	-	-	-	-
- as restated	98,000	(1,578)	1,848,721	49,000	1,994,143	216,361	2,210,504
Total comprehensive income for the year:							
Profit for the year	-	-	549,936	-	549,936	94,461	644,397
Other comprehensive income:							
Actuarial gain on post employment benefit obligations (net of tax) (Note 15)	-	3,991	-	-	3,991	-	3,991
Total	-	3,991	549,936	-	553,927	94,461	648,388
Contributions by and distributions to owners:							
Dividend paid to non controlling interest	-	-	-	-	-	(53,127)	(53,127)
Dividends:	-	-	-	-	-	-	-
- Final for 2010 (Note 11 (ii))	-	-	-	(49,000)	(49,000)	-	(49,000)
- Proposed for 2011 (Note 11 (ii))	-	-	(73,500)	73,500	-	-	-
Total	-	-	(73,500)	24,500	(49,000)	(53,127)	(102,127)
At end of year	98,000	2,413	2,325,157	73,500	2,499,070	257,695	2,756,765

Company statement of changes in equity

	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
Year ended 31 December 2010					
At start of year:					
- as previously stated	98,000	-	1,484,138	49,000	1,631,138
- prior year adjustment (Note 15)	-	1,030	(1,030)	-	-
- as restated	98,000	1,030	1,483,108	49,000	1,631,138
Total comprehensive income for the year:					
Profit for the year	-	-	301,658	-	301,658
Other comprehensive income:					
Actuarial loss on post employment benefit obligations (net of tax) (Note 15)	-	(1,192)	-	-	(1,192)
Total	-	(1,192)	301,658	-	300,466
Contributions by and distributions to owners:					
Dividends:					
- Final for 2009 (Note 11 (ii))	-	-	-	(49,000)	(49,000)
- Proposed for 2010 (Note 11 (ii))	-	-	(49,000)	49,000	-
Total	-	-	(49,000)	-	(49,000)
At end of year	98,000	(162)	1,735,766	49,000	1,882,604
Year ended 31 December 2011					
At start of year					
- as previously stated	98,000	-	1,735,604	49,000	1,882,604
- prior year adjustment (Note 15)	-	(162)	162	-	-
- as restated	98,000	(162)	1,735,766	49,000	1,882,604
Total comprehensive income for the year:					
Profit for the year	-	-	507,766	-	507,766
Other comprehensive income:					
Actuarial gain on post employment benefit obligations (net of tax) (Note 15)	-	2,425	-	-	2,425
Total	-	2,425	507,766	-	510,191
Contributions by and distributions to owners:					
Dividends:					
- Final for 2010 (Note 11 (ii))	-	-	-	(49,000)	(49,000)
- Proposed for 2011 (Note 11 (ii))	-	-	(73,500)	73,500	-
Total	-	-	(73,500)	24,500	(49,000)
At end of year	98,000	2,263	2,170,032	73,500	2,343,795

Consolidated statement of cash flows

	Notes	Year ended 31 December 2011 Shs'000	2010 Shs'000 As restated
Operating activities			
Cash generated from operations	24	828,163	688,411
Interest received		47,547	14,515
Interest paid		-	(414)
Income tax paid		(134,444)	(193,287)
Net cash from operating activities		741,266	509,225
Investing activities			
Purchase of property, plant and equipment	16	(70,295)	(57,346)
Purchase of biological assets and development	17	(203,170)	(203,408)
Proceeds from disposal of property, plant and equipment		2,037	2,088
Proceeds from sale of shares in subsidiary	19	-	38,101
Net cash used in investing activities		(271,428)	(220,565)
Financing activities			
Dividend paid to company's shareholders	11	(49,000)	(49,000)
Dividend paid to non controlling interest		(53,127)	(52,270)
Net cash used in financing activities		(102,127)	(101,270)
Increase in cash and cash equivalents		367,711	187,390
Movement in cash and cash equivalents			
At start of year		529,621	342,231
Increase		367,711	187,390
At end of year	23	897,332	529,621

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 stock units are listed on the Nairobi Securities Exchange and the London 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 Directors 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

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 January 2011.

Standard	**Title**
IAS 1	Presentation of financial statements
IAS 24	Related party disclosures
IFRS 7	Financial instruments:

The amendments to IAS 1, 'Presentation of financial statements' is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Group and Company was already disclosing the analysis of other comprehensive income on its statement of changes in equity.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the group (continued)

The amendment to IAS 24, 'Related party disclosures' 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. The amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. Related party disclosures have increased following adoption of this amendment.

The amendments to IFRS 7, 'Financial Instruments – Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following'

- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated assets that would otherwise be past due but not impaired.

The application of the above amendment has simplified financial risk disclosures made by the Group and Company

Other amendments and interpretations to standards became mandatory for year beginning 1 January 2011 but had no significant effect on the Group's financial statements.

(ii) Standard, amendment and interpretations to existing standard that is not yet effective but have been early adopted by the Company

Standard	**Title**	**Application for financial years beginning on or after**
IAS 19	Employee benefits	1 January 2013

- IAS 19, Employee benefits

The impact on the financial statements is as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur, to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). A prior year adjustment has been passed to recognise actuarial gains and losses in other comprehensive income. Actuarial gains and losses were previously recognised in the statement of comprehensive income.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Numerous new standards, amendments and interpretations to existing standards have been issued effective. Below is the list of new standards that are likely to be relevant to the Group and Company.

Standard	**Title**	**Applicable for financial years beginning on/after**
IAS 1	Presentation of financial statements	1 July 2012
IFRS 9	Financial instruments	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurements	1 January 2013

- IAS 1, Presentation of financial statements

The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income (“OCI”) into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The title used by IAS 1 for the statement of comprehensive income has changed to ‘statement of profit or loss and other comprehensive income’, though IAS 1 still permits entities to use other titles.

- IFRS 9, ‘Financial instruments’

IFRS 9, was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than in profit and loss, unless this creates an accounting mismatch. The Group and Company is yet to assess IFRS 9’s no later than the accounting period beginning on or after 1 January 2013.

- IFRS 10, ‘Consolidated financial statements’

This is a new standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

The revised definition of control focuses on the need to have both power and variable returns before control is present. The Group will need to consider the new guidance.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

- IFRS 12, 'Disclosure of Interests in other entities'

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including interests in subsidiaries, associates, joint arrangements, special purpose entities and other off balance sheet vehicles. The Group is yet to assess IFRS 12s full impact.

- IFRS 13, 'Fair value measurement'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group is yet to assess IFRS 13s full impact.

There are no other IFRSs of IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

(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 which is the company'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.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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.

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).

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

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.

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 are presented as non-current assets.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Receivables (continued)

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.

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(i) Post employment benefits (continued)

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

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.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Directors 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Current and deferred income tax (continued)

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.

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.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(ii) Post employment benefits 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, the Directors have 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 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 2011, 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 4,537,000 (2010: 2,369,000) higher/lower mainly as a result of US dollar trade receivables.

At 31 December 2011 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 13,362 higher/lower (2010: Shs 122,000) mainly as a result of Euro denominated cash at bank and trade receivables.

(ii) Price risk

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

Market risk (continued)

(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 2011, an increase/decrease of 5% would have resulted in a decrease/increase in post tax profit of Shs Nil (2010: Shs Nil).

The Group has interest earning deposits, whose income would be subject to interest rate risk. An increase/decrease in interest rates of 5% would have resulted in a increase/decrease in post tax profit of Shs 2,490,314 (2010: Shs 1,376,667).

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 2011 is carrying value of the financial assets in the statement of financial position.

Collateral is held only for staff loans amounting to Shs 27,575,200 (2010: Shs 27,049,000) 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 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	
	2011	**2010**	**2011**	**2010**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Past due but not impaired:				
by up to 30 days	-	-	-	-
by 31 to 60 days	72	576	72	576
by 61 to 90 days	228	-	228	-
over 90 days	750	195	750	195
Total past due but not impaired	1,050	771	1,050	771
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.

Directors 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 2011:				
- Bank borrowings	-	-	-	-
- Trade and other payables	283,252	-	-	-
- Tax payable	52,804	-	-	-
At 31 December 2010:				
- Bank borrowings	-	-	-	-
- Trade and other payables	372,280	-	-	-
- Tax payable	-	-	-	-

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 2011:				
- Bank borrowings	-	-	-	-
- Trade and other payables	110,091	-	-	-
- Tax payable	49,161	-	-	-
At 31 December 2010:				
- Bank borrowings	-	-	-	-
- Trade and other payables	210,807	-	-	-
- Tax payable	4,943	-	-	-

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 proposed are shown in Note 11.

Notes (continued)

5. Segmental reporting

Directors have determined the operating segments based on the reports reviewed by the Executive Directors 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 2011 and 31 December 2010 is as follows:

	2011	2010	2011	2010	2011	2010	2011	2010
	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	1,110,360	1,089,627	1,005,100	816,722	261,402	207,425	2,376,862	2,113,774
Comprising:								
Major external customers sales	637,670	830,505	1,002,381	800,929	-	-	1,640,051	1,631,434
All other external customers sales	472,690	259,122	2,719	15,793	261,402	207,425	736,811	482,340
	1,110,360	1,089,627	1,005,100	816,722	261,402	207,425	2,376,862	2,113,774
Geographical analysis:								
United Kingdom	377,726	325,964	339,748	186,085	-	-	717,474	512,049
Continental Europe	59,171	55,579	662,633	614,844	-	-	721,804	670,423
Kenya	463,974	502,712	2,719	15,793	261,402	207,425	728,095	725,930
Others	209,489	205,372	-	-	-	-	209,489	205,372
	1,110,360	1,089,627	1,005,100	816,722	261,402	207,425	2,376,862	2,113,774

Notes (continued)

5. Segmental reporting (continued)

	2011	2010	2011	2010	2011	2010	2011	2010
	Tea		Avocados		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000 As restated
Profit/(loss)								
Gross profit /(loss) before depreciation and fair value changes in biological assets	468,336	439,573	617,367	506,846	(83,676)	(65,442)	1,002,027	880,977
Depreciation charge	(10,873)	(8,752)	(14,885)	(16,538)	(26,272)	(21,637)	(52,030)	(46,927)
Changes in fair value of biological assets	23,500	61,400	7,462	(15,989)	186,459	79,426	217,421	124,837
Gross profit	480,963	492,221	609,944	474,319	76,511	(7,653)	1,167,418	958,887
Distribution costs	(68,966)	(67,497)	(363,574)	(375,773)	-	-	(432,540)	(443,270)
Segment profit	411,997	424,724	246,370	98,546	76,511	(7,653)	734,878	515,617
Other unallocated income and expenses								
Release of provision					109,024	-	109,024	-
Other income					28,523	28,069	28,523	28,069
Interest income					47,668	15,357	47,668	15,357
Finance costs					-	(414)	-	(414)
Profit before income tax	411,997	424,724	246,370	98,546	261,726	35,359	920,093	558,629
Income tax expense	(124,217)	(129,116)	(74,281)	(29,958)	(78,909)	(10,889)	(275,696)	(168,555)
Profit for the year	287,780	295,608	172,089	68,588	182,817	24,470	644,397	388,666
Assets (all located in Kenya)								
Segment assets	1,277,648	1,049,440	888,982	888,560	1,070,515	871,920	3,237,145	2,809,920
Unallocated assets							580,175	408,670
							3,817,320	3,218,590
Liabilities								
Segment liabilities	223,267	232,033	30,047	45,272	6,092	(23,249)	259,406	254,056
Unallocated liabilities							91,751	129,622
							351,157	383,678
Additions								
Property, plant and equipment	38,723	12,157	8,515	7,854	23,057	37,335	70,295	57,346
Biological assets	-	-	132,131	146,925	71,039	56,483	203,170	203,408
	38,723	12,157	140,646	154,779	94,096	93,818	273,465	260,754

Notes (continued)

6 Other Income

	2011 Shs'000	2010 Shs'000
Gain on disposal of property, plant and equipment	784	638
Rental Income	6,702	6,369
Sundry	21,037	21,062
	28,523	28,069

7 Finance income and costs

Finance income		
Interest income on short term bank deposits	47,547	14,515
Net foreign exchange gain on cash and cash equivalents	121	842
	47,668	15,357
Finance cost		
Interest expense on bank borrowings	-	(414)
Net finance income	47,668	14,943

8 Expenses by nature

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

	2011 Shs'000	2010 Shs'000
Depreciation on property, plant and equipment (Note 16)	52,030	46,927
Repairs and maintenance expenditure on property, plant and equipment	17,633	13,342
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)	(217,422)	(124,837)
Inventories expensed	1,137,837	1,108,515
Employee benefits expense (Note 9)	420,519	422,034
Auditor's remuneration	6,215	5,263

Notes (continued)

9 Employee benefits expense

The following items are included within employee benefits expense:

	2011 Shs'000	2010 Shs'000
Salaries and wages	397,629	399,697
Post employment benefits costs:		
Post employment benefit obligations (Note 15)	13,373	12,088
Defined contribution scheme	1,869	2,572
National Social Security Fund	7,648	7,677
	420,519	422,034

10 Income tax expense

	2011 Shs'000	2010 Shs'000
Current income tax	190,285	124,848
Deferred income tax (Note 14)	85,411	45,115
Income tax expense	275,696	169,963

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:

	2011 Shs'000	2010 Shs'000
Profit before income tax	920,093	558,629
Tax calculated at the statutory income tax rate of 30% (2010: 30%)	276,028	167,589
Tax effect of:		
Income not subject to income tax	(18)	-
Expenses not deductible for income tax purposes	1,867	748
Under provision of deferred income tax in prior years	(2,425)	9,254
Under/(over) provision of current income tax in prior years	244	(7,628)
Income tax expense	275,696	169,963

The group tax (charge)/credit relating to components of other comprehensive income is as follows:

	2011 Before tax Shs'000	2011 tax (charge) / credit Shs'000	2011 After tax Shs;000	2010 Before tax Shs'000	2010 tax (charge) / credit Shs'000	2010 After tax Shs'000
Fair value gains:						
-Post employment benefit obligations	5,702	(1,711)	3,991	(4,695)	1,408	(3,287)

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 2011 and 31 December 2010.

The company had no potentially dilutive stock units outstanding at 31 December 2011 and 31 December 2010.

	2011	2010
Profit attributable to equity holders of the company (Shs '000)	549,936	313,374
Number of stock units in issue (thousands)	19,600	19,600
Basic and diluted earnings per stock unit (Shs)	28.06	15.99

ii) Dividends per stock unit

At the annual general meeting to be held on 24 May 2012, the directors will recommend the payment of a first and final dividend of 75% equivalent to Sh 3.75 per stock unit (2010: Sh 2.50) in respect of the year ended 31 December 2011.

12 Share capital

	Number of stock units (Thousands)	Ordinary shares Shs '000
Authorised		
At 1 January 2010, 31 December 2010 and 31 December 2011	20,000	100,000
Issued and converted into stock units		
At 1 January 2010, 31 December 2010 and 31 December 2011	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

	2011 Shs'000	2010 Shs'000
The group has the following undrawn committed borrowing facilities:		
Floating rate (expiring within one year)	626,300	626,300

The facilities are annual 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% (2010: 30%). The movement on the deferred income tax account is as follows:

	Group		Company	
Group:-	**2011 Shs'000**	**2010 Shs'000**	**2011 Shs'000**	**2010 Shs'000**
At start of year	565,509	521,802	473,420	436,415
Charge to income statement	85,411	45,115	73,287	37,516
Charge to other comprehensive income	1,711	(1,408)	1,039	(511)
At end of year	652,631	565,509	547,746	473,420

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

	Group		Company	
Group:-	**2011 Shs'000**	**2010 Shs'000**	**2011 Shs'000**	**2010 Shs'000**
Deferred income tax assets	(44,298)	(69,553)	(31,851)	(63,058)
Deferred income tax liabilities	696,929	635,062	579,597	536,478
At end of year	652,631	565,509	547,746	473,420

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 (SCI) are attributable to the following items:

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

Year ended 31 December 2011 - Group

	Balance 1.1.2011 Shs'000	Charged/ (credit) to SCI Shs'000	Balance 31.12.2011 Shs'000
Property, plant and equipment	137,689	(533)	137,156
Biological assets	497,373	61,665	559,038
Provisions for liabilities	(54,864)	23,572	(31,292)
Capital development expenditure	(13,367)	361	(13,006)
Other temporary differences	(1,322)	2,057	735
Net deferred income tax liability	565,509	87,122	652,631

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 (SCI) are attributable to the following items:

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

Year ended 31 December 2011 - Company

	Balance 1.1.2011 Shs'000 As restated	Charged/ (credit) to SCI Shs'000	Balance 31.12.2011 Shs'000
Property, plant and equipment	121,834	(2,391)	119,443
Biological assets	414,573	45,465	460,038
Provisions for liabilities	(49,691)	30,846	(18,845)
Capital development expenditure	(13,367)	361	(13,006)
Other temporary differences	71	45	116
Net deferred income tax liability	473,420	74,326	547,746

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	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Present value of post employment benefit obligations	46,321	48,112	25,547	22,185	71,868	70,297
Split as follows:						
Non-current portion					56,767	58,899
Current portion					15,101	11,398

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

	Gratuity		Service Gratuity		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	48,112	37,368	22,185	19,951	70,297	57,319
Net expense recognised in the statement of comprehensive income	3,682	13,438	3,989	3,345	7,671	16,783
Benefits paid	(5,473)	(2,694)	(627)	(1,111)	(6,100)	(3,805)
At end of year	46,321	48,112	25,547	22,185	71,868	70,297

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	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	Shs’000	**Shs’000**	**Shs’000**	**Shs’000**	**Shs’000**	**Shs’000**
Current service cost	4,105	3,928	2,806	2,693	6,911	6,621
Interest on obligation	4,357	3,651	2,105	1,816	6,462	5,467
Total included in employee benefits expenses (Note 9)	8,462	7,579	4,911	4,509	13,373	12,088
Actuarial gain/(loss) recognised in comprehensive income	4,780	(5,859)	922	1,164	5,702	(4,695)

The Company has early adopted the amendment to IAS 19 Employee benefit, which requires actuarial gains/(losses) to be recognised under other comprehensive income. In prior years, the actuarial gains/(losses) were included under ‘other expenses’ in the income statement.

The principal actuarial assumptions used are as follows:		Gratuity		Service Gratuity	
		2011	**2010**	**2011**	**2010**
Discount rate (% p.a.)		13.5%	9%	13.5%	9%
Future salary increases (% p.a.)	first year	12%	10%	12%	10%
	second year	12%	8%	10%	8%
	thereafter	10%	8%	10%	8%

Five year summary:	**2011**	**2010**	**2009**	**2008**	**2007**
	Shs’000	**Shs’000**	**Shs’000**	**Shs’000**	**Shs’000**
Present value of post employment benefit obligations	71,868	70,297	57,319	57,245	46,107
Net expense recognised in the statement of comprehensive income within ‘cost of production’					
- under ‘cost of production’	13,373	12,088	11,810	14,179	11,825
- under ‘other comprehensive income (gain) loss	(5,702)	4,695	(2,440)	-	-

As required by IAS 1, Presentation of Financial statements, a statement of financial position at the start of the earliest comparative year restated has been presented together with the related notes. The prior year adjustment has no impact on the other notes to the additional statement of financial position.

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	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Present value of post employment benefit obligations	19,823	20,939	25,547	22,185	45,370	43,124
Split as follows:						
Non-current portion					36,034	36,480
Current portion					9,336	6,644

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

	Gratuity		Service Gratuity		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Liability at start of year	20,939	16,166	22,185	19,951	43,124	36,117
Net expense recognised in the income statement	1,184	6,160	3,989	3,345	5,173	9,505
Benefits paid	(2,300)	(1,387)	(627)	(1,111)	(2,927)	(2,498)
Liability at end of year	19,823	20,939	25,547	22,185	45,370	43,124

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	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Current service cost	1,816	1,738	2,806	2,693	4,622	4,431
Interest on obligation	1,910	1,555	2,105	1,816	4,015	3,371
Total included in employee benefits expenses	3,726	3,293	4,911	4,509	8,637	7,802
Actuarial gain/(loss) recognised comprehensive income	2,542	(2,867)	922	1,164	3,464	(1,703)

The Company has early adopted the amendment to IAS 19 Employee benefit, which requires actuarial gains/(losses) to be recognised under other comprehensive income. In prior years, the actuarial gains/(losses) were included under 'other expenses' in the income statement.

The principal actuarial assumptions used are as follows:		Gratuity		Service Gratuity	
		2011	**2010**	**2011**	**2010**
Discount rate (% p.a.)		13.5%	9%	13.5%	9%
Future salary increases (% p.a.)	first year	12%	10%	12%	10%
	second year	12%	8%	10%	8%
	thereafter	10%	8%	10%	8%

Five year summary:	**2011**	**2010**	**2009**	**2008**	**2007**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Present value of post employment benefit obligations	45,370	43,124	36,117	33,331	27,260
Net expense recognised in the statement of comprehensive income					
- within 'cost of production'	8,637	7,802	8,132	7,446	7,775
- within 'other comprehensive income (gain)/loss	(3,464)	1,703	(1,471)	-	-

As required by IAS 1, Presentation of Financial Statements, a statement of financial position at the start of the earliest comparative year restated has been presented together with the related notes. The prior year adjustment has no impact on the other notes to the additional statement of financial position.

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 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)

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 2011						
Cost						
At start of year	975,260	222,196	141,454	43,785	6,684	1,389,379
Transfers	1,634	31	-	5,019	(6,684)	-
Additions	16,082	12,950	17,383	2,445	21,435	70,295
Disposals	(182)	(2,510)	(5,311)	(95)	-	(8,098)
At end of year	992,794	232,667	153,526	51,154	21,435	1,451,576
Depreciation and impairment						
At start of year	481,772	142,269	112,698	39,225	-	775,964
Charge for the year	22,741	11,506	12,759	5,024	-	52,030
On disposals	(182)	(2,506)	(4,093)	(64)	-	(6,845)
At end of year	504,331	151,269	121,364	44,185	-	821,149
Net book amount	488,463	81,398	32,162	6,969	21,435	630,427
Depreciation and impairment at year end comprises:						
Depreciation	426,741	150,680	121,364	43,810	-	742,595
Impairment	77,590	589	-	375	-	78,554
	504,331	151,269	121,364	44,185	-	821,149

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 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)	-	(1554)
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)

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 2011						
Cost						
At start of year	893,389	108,178	130,265	38,560	6,684	1,177,076
Transfers	1,634	31	-	5,019	(6,684)	-
Additions	12,702	3,982	13,804	2,147	7,591	40,226
Disposals	(173)	(2,510)	(5,311)	(95)	-	(8,089)
At end of year	907,552	109,681	138,758	45,631	7,591	1,209,213
Depreciation and impairment						
At start of year	445,816	52,260	101,586	34,122	-	633,784
Charge for the year	20,864	6,992	11,915	4,687	-	44,458
On disposals	(173)	(2,506)	(4,093)	(64)	-	(6,836)
At end of year	466,507	56,746	109,408	38,745	-	671,406
Net book amount	441,045	52,935	29,350	6,886	7,591	537,807
Depreciation and impairment at year end comprises:						
Depreciation	388,917	56,157	109,408	38,370	-	592,852
Impairment	77,590	589	-	375	-	78,554
	466,507	56,746	109,408	38,745	-	671,406

Notes (continued)

17 Biological assets

Changes in carrying amounts of biological assets comprise:

	Group			Company		
	Livestock Shs'000	**Plantations Shs'000**	**Total Shs'000**	**Livestock Shs'000**	**Plantations Shs'000**	**Total Shs'000**
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	194,435	203,408	8,973	193,240	202,213
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)	(145,360)	(171,878)	(26,518)	(140,646)	(167,164)
At end of year	121,527	1,657,909	1,779,436	121,527	1,381,909	1,503,436
Year ended 31 December 2011						
At start of year	121,527	1,657,909	1,779,436	121,527	1,381,909	1,503,436
Increase due to purchases and development	7,186	195,984	203,170	7,186	194,072	201,258
Gains arising from changes in fair value less costs to sell	47,799	169,623	217,422	47,799	109,612	157,411
Decrease due to harvest and sales	(62,524)	(160,056)	(222,580)	(62,524)	(152,134)	(214,658)
At end of year	113,988	1,863,460	1,977,448	113,988	1,533,459	1,647,447

Notes (continued)

17 Biological assets (continued)

Biological assets are carried at fair value less costs to sell.

Plantations comprise tea, timber, avocado, pineapple and macadamia plantings.

The fair value of avocado plantation is determined based on discounted expected net cash flow using 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 based on recent market prices
- 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 plantations is determined by external independent valuation based on recent market transaction prices.

The decrease due to harvest and sales under plantations is applicable to timber and pineapple plantations 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		Company	
	2011	**2010**	**2011**	**2010**
	Hectares	**Hectares**	**Hectares**	**Hectares**
Areas planted with the various crops at the year end				
Tea	962	960	510	496
Timber plantations	1,619	1,739	1,335	1,534
Avocado	411	409	411	409
Pineapple	45	42	45	42
Macadamia	480	444	480	444
	Head	**Head**	**Head**	**Head**
Cattle numbers at the year end	4,383	5,123	4,383	5,123
	Metric tonnes	**Metric tonnes**	**Metric tonnes**	**Metric tonnes**
Output of agricultural produce during the year				
Tea (green leaf)	13,257	15,298	6,347	6,907
Avocado	5,822	7,748	5,822	7,748
Pineapple	1,777	1,571	1,777	1,571
	Cubic metres	**Cubic metres**	**Cubic metres**	**Cubic metres**
Timber harvested during the year was:	12,913	8,902	10,029	6,585

Agricultural produce of tea bushes is the harvested green leaf which is processed soon after harvest in the factory to made tea. The company did not have any biological produce of green leaf (tea) at year end (2010: Nil). Fuel wood is included under inventory.

Notes (continued)

17 Biological assets (continued)

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Fair value of the agricultural output after deducting costs to sell:				
Tea (green leaf)	576,822	566,078	278,831	254,989
Avocado	506,933	368,185	506,933	368,185
Pineapple	38,340	32,272	38,340	32,272
Others	179,631	132,728	170,196	122,135
	1,301,726	1,099,263	994,300	777,581

18 Prepaid operating lease rentals

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	8,108	8,117	4,419	4,424
Amortization charge for the year	(9)	(9)	(5)	(5)
At end of year	8,099	8,108	4,414	4,419

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 (2010: 50.5% 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 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

Notes (continued)

19 Investment in subsidiaries (continued)

Year ended 31 December 2011	**Siret Tea Company Limited Shs'000**	**Kaguru EPZ Limited Shs'000**	**Estates Services Limited Shs'000**	**Total Shs'000**
At start of year	111,241	1,670	2,625	115,536
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%	8.5%	49.5%
Cash consideration (Shs'000)	53,900	38,500	72,883	38,101	203,384

EPK Outgrowers Empowerment Project Company Limited has the option to acquire all (but not part only) of the remaining 50.5% shareholding in Siret Tea Company Limited by 31 December 2013.

(c) Non controlling interest acquisition - Group

No acquisition of additional stake by non controlling shareholders during the year (2010: Shs 36.317,000) 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	
	2011	**2010**	**2011**	**2010**
	Shs	**Shs**	**Shs**	**Shs**
Sale proceeds	-	38,101	-	38,101
Related cost of investment	-	-	-	(18,723)
Related carrying value of investment	-	(36,317)	-	-
Profit on sale of shares in subsidiary accounted for in income statement	-	-	-	19,378
Effect of change in ownership interests accounting for in equity	-	1,784	-	-

20 Inventories

	Group		Company	
	2011	**2010**	**2011**	**2010**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Made tea	61,501	38,982	-	-
Consumables	118,329	101,373	57,844	41,568
	179,830	140,355	57,844	41,568

Notes (continued)

21 Trade and other receivables

	Group		Company	
	2011 Shs'000	2010 Shs'000	2011 Shs'000	2010 Shs'000
Trade receivables	28,424	86,758	11,520	24,160
Due from related companies (Note 25(v))	11,249	2,951	154,952	136,967
Value Added Tax (VAT)	17,949	16,746	5,370	1,873
Other receivables	66,562	38,164	49,346	25,781
	124,184	144,619	221,188	188,781
Less non-current portion	(26,701)	(22,062)	(21,757)	(15,415)
	97,483	122,557	199,431	173,366
Non-current receivables				
Other receivables	26,701	22,062	21,757	15,415

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 (2010: Nil).

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

22 Trade and other payables

	Group		Company	
	2011 Shs'000	2010 Shs'000	2011 Shs'000	2010 Shs'000
Trade payables	75,690	56,723	60,399	44,784
Due to related companies (Note 25(v))	5,468	9,214	8,383	10,469
Accrued expenses	22,267	32,615	17,044	27,529
Other payables	179,827	273,728	24,265	128,025
	283,252	372,280	110,091	210,807

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

23 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2011 Shs'000	2010 Shs'000	2011 Shs'000	2010 Shs'000
Cash at bank and in hand	43,510	57,621	33,927	42,866
Short term deposits	853,822	472,000	478,000	175,000
	897,332	529,621	511,927	217,866

Notes (continued)

24 Cash generated from operations – Group

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

	2011 Shs'000	2010 Shs'000
Profit before income tax	920,093	558,629
Adjustments for:		
Interest income (Note 7)	(47,547)	(14,515)
Interest expense (Note 7)	-	414
Depreciation (Note 16)	52,030	46,927
Amortisation of prepaid operating lease rentals (Note18)	9	9
Profit on sale of property, plant and equipment	(784)	(638)
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 17)	(217,422)	(124,837)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 17)	222,580	171,878
Actuarial gains/(losses) on post employment benefit obligations (Note 15)	5,702	(4,695)
Changes in working capital		
– inventories	(39,475)	7,736
– receivables and prepayments	20,435	2,682
– payables and accrued expenses	(89,028)	31,842
– post employment benefit obligations	1,570	12,979
Cash generated from operations	828,163	688,411

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	
	2011	**2010**	**2011**	**2010**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
i) Sale of goods to:				
Eastern Produce Kenya Limited	123,923	55,906	88,987	45,088
Siret Tea Company Limited	-	-	206,172	254,989
	123,923	55,906	295,159	300,077
ii) Purchase of goods and services from:				
Linton Park Plc	10,012	-	10,012	-
Robertson Bois Dickson Anderson Limited	46,869	33,834	7,401	4,197
Eastern Produce Kenya Limited	65,295	126,002	25,820	22,158
Siret Tea Company Limited	-	-	9,113	9,242
	122,176	159,836	52,346	35,597
iii) Key management compensation				
Salaries and other short-term employment benefits	27,906	31,020	27,906	31,020
Post employment benefits	293	281	293	281
	28,199	31,301	28,199	31,301
iv) Directors' remuneration				
Fees for services as a director	1,300	1,300	800	800
Other emoluments (included in key management compensation above)	79	71	79	71
	1,379	1,371	879	871

Notes (continued)

25 Related party transactions (continued)

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

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related companies				
Eastern Produce Kenya Limited	11,249	-	36,452	10,606
Siret Tea Company Limited	-	-	118,500	126,361
Robertson Bois Dickson Anderson Limited	-	2,951	-	-
	11,249	2,951	154,952	136,967
Due to related companies				
Eastern Produce Kenya Limited	-	7,128	-	-
Estate Services Limited	-	-	2,570	2,570
Kaguru EPZ Limited	-	-	5,813	5,813
Robertson Bois Dickson Anderson Limited	5,468	-	-	-
Eastern Produce Malawi Limited	-	2,086	-	2,086
	5,468	9,214	8,383	10,469

26 Release of Provision

The company had received a claim in 2010 for an alleged overpayment of Shs 109 million from Del Monte Kenya Limited (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 directors made a provision for this claim as a prior year adjustment in the year 2010. After successful negotiations, DMKL has withdrawn the claim and the provision has been fully released in the year.

The impact on the financial statements for the year ended 31 December 2011 is as follows:-

	Shs'000
Decrease in trade and other payables (Release of provision)	(109,024)
Deferred income tax impact	32,709
Net credit to statement of comprehensive income	(76,315)

27 Contingent liabilities – Group and Company

At 31 December 2011, the group did not have contingent liabilities (2010: Nil).

Notes (continued)

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	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Property, plant and equipment	9,755	4,045	3,073	3,026

ii) Operating lease commitments

At 31 December 2011 there were no future minimum lease payments under non-cancellable operating leases (2010: Nil).

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Five year record

	2011 Shs'000	2010 Shs'000 As restated	2009 Shs'000 As restated	2008 Shs'000	2007 Shs'000
Turnover	2,376,862	2,113,774	2,008,157	1,504,192	1,512,118
Profit before income tax	920,093	558,629	556,449	281,165	270,330
Income tax (expense)/credit	(275,696)	(169,963)	(167,863)	(74,562)	(78,733)
Profit after income tax	644,397	388,666	388,586	206,603	191,597
Non controlling interest	(94,461)	(75,292)	(50,120)	(25,730)	(1,954)
Profit attributable to the members of Kakuzi Limited	549,936	313,374	338,466	180,873	189,643
Dividends: -					
Proposed final dividend - for the year	73,500	49,000	49,000	19,600	-
	73,500	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	2,658,765	2,112,504	1,790,294	1,393,318	1,167,916
Total equity	2,756,795	2,210,504	1,888,294	1,491,318	1,265,916
Basic earnings per stock unit (Shs)	28.06	15.99	17.26	9.23	9.68
Dividends per stock unit (Shs)	3.75	2.50	2.50	1.00	-
Dividend cover	7.48	6.40	6.91	9.23	-
Total equity per stock unit (Shs)	140.65	112.78	96.34	76.09	64.59

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

MAJOR STOCKHOLDERS

The 10 major shareholders and their holdings as at 31 December 2011 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	1,804,843	9.21
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. Joseph Barrage Wanjui	437,338	2.23
7. G H Kluge & Sons Limited	239,118	1.22
8. Henry Richard Moszkowicz	205,912	1.05
9. HBSC Global Custody Nominee Ltd	200,000	1.02
10. Apex Africa Investment Bank Ltd – A/C 6255	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 2011 was:

Stock units range	Number of stockholders	Number of stock units	%
Less than 500	764	156,249	0.80
501 to 5,000	614	1,158,069	5.90
5,001 to 10,000	81	622,289	3.17
10,001 to 100,000	94	2,486,975	12.69
100,001 to 1,000,000	15	3,434,940	17.53
Over 1,000,000	3	11,741,477	59.91
	1,571	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 Ballroom, Nairobi

Serena Hotel, Nairobi, Kenya on Thursday 24 May 2012 at 12.00 noon and at any

adjournment thereof.

As witness my/our hand(s) this………………………. day of …………………………………2012

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