KAKUZI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Table of Contents

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*	
Mr. C J Flowers*	Managing Director
Mr. K R Shah	
Mr. N Nganga	
Mr. C J Ames*	
Mr. D M Ndonye	
Mr. S N Waruhiu	

* British

REGISTERED OFFICE

Main Office
Punda Milia Road, Makuyu
P O Box 24
01000 THIKA
Telephone (060) 2033012
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)
Kaguru EPZ Limited	(100% holding)

AUDITOR

PricewaterhouseCoopers
PwC Tower
Waiyaki Way/Chiromo Road, Westlands
P O Box 43963
00100 NAIROBI

SECRETARY

John L G Maonga
Maonga Ndonye Associates
Jadala Place, Ngong Lane, Ngong Road
P. O. Box 73248
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 Sixth Annual General Meeting of the members of the Company will be held in the Ballroom, Nairobi Serena Hotel, Nairobi on Tuesday 20 May 2014 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 Fifth Annual General Meeting held on 21 May 2013.

4. To receive, consider and adopt the Financial Statements for the year ended 31 December 2013 together with the reports of the Chairman, Directors and of the Independent Auditors thereon.

5. To declare a first and final dividend of 75% equivalent to Shs 3.75 per stock unit (2012: Shs 3.75) for the Financial Year ended 31 December 2013.

6. To re-elect Messrs Mr K W Tarplee and Mr N Ng'ang'a, the Directors retiring by rotation in accordance with Article 117 of the Company's Article of Association and, Special Notices are hereby given that notices have been received in accordance with Sections 142 and 186 (5) of the Companies Act (Cap 486) that are intended to pass the following as ordinary resolutions:-

   a) "That Mr K W Tarplee who has attained the age of over 70 years be and is hereby re-elected a Director of the Company."
   b) "That Mr N Ng'ang'a 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 2013.

8. To note that Messrs PricewaterhouseCoopers continue in office as Auditors of 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.

9. To transact any other business of an Annual General Meeting of which due notice has been received.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

18 March 2014

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

A profit warning for 2013 was issued on the 26 November 2013. This is now reflected in the results. Sales from operations were down by Shs 180 million and profit before tax was Shs 239.3 million (2012 Shs 479.3 million). The net gain arising from biological assets within these figures was an increase of Shs 32 million but finance income was down Shs 14 million. The major impact on profits arises from our avocado and tea operations both of which were significantly down in turnover and profit as compared with 2012.

OPERATIONS

Nandi Hills had a wet year from the start with very good distribution throughout the year. Makuyu had above average rainfall for the year but very poor distribution especially in the second half of the year where there was little to no rain for the six months May to October. This led to our storage dam water levels being under pressure for irrigation. Avocado production was down by 30% (2013: 6,423 tonnes; 2012: 9,231 tonnes) and although overall prices improved slightly the low throughput resulted in a higher cost of production. We have 414 Hectares of avocado planted and give strong emphasis on improving output from our smallholders. Our Kaboswa Tea Estate produced 1.6 million Kgs (2012: 1.46 million Kgs) of made tea from the 510 hectares planted. Prices for the product were down over 2012 levels. Livestock reflected a small loss after accounting for full overheads, we still hold over 4000 head of cattle. Forestry showed an improvement on profits producing Shs 27 million for the year. Joint projects and our own pineapple operation produced small but overall similar returns to 2012.

DEVELOPMENT

We continue to investigate further diversified agricultural investments in our land. Your Directors review such investment on the basis of long term shareholders returns and treat any large initial capital investment needs with caution. At present, we are looking into the opportunities for investment and return on relatively large scale production of grain crop on our black cotton soils which are at present grazed by our cattle. Macadamia development continues within our planned planting to 1058 Hectares by 2016, 621 hectares are now planted. A small crop of 107 tonnes of nut in husk went through our new de-husking facility and we plan to make a significant capital investment in a cracking/packing operation in 2016. Further expansion of our Avocado orchards is planned over the next four years Another important area of development is with our surrounding smallholder avocado producers with a view of giving the necessary encouragement and advise to help improve their yields and livelihood. Our objectives continue to be sound agricultural development invested for long term shareholder return.

STAFF & DIRECTORS

It has been a difficult year at times, however a positive view and determination has been taken at all levels during a year which showed reduced shareholders return. I personally was on 'sick leave' for much of the year and this reports gives me the opportunity to publicly thank my fellow Directors for their hard work and professionalism throughout the year and in particular Nick Ng'anga who so ably Chaired meetings during my absence.

DIVIDEND

Although profit was disappointing, our policy of the maintaining a strong cash flow and balance sheet has been attained and for this reason we feel shareholders should receive a dividend of Shs 3.75 per stock unit.

PROSPECTS

It is difficult to give a clear guideline at present as weather patterns over the next six months will clearly impact on returns. We are expecting a much improved avocado crop but market prices continue to be dependent on our crop being available during a period of strong demand in Europe and our ability to meet the logistics and avoid delays in prompt delivery. Tea cropping levels are satisfactory to date, however prices are very variable and at times close to cost of production levels. We would expect our other operations to maintain positive cash returns to maintain a strong capital base giving the opportunity to proceed with investment opportunities both present and projected.

K W TARPLEE
CHAIRMAN

18 March 2014

The directors submit their report together with the audited financial statements for the year ended 31 December 2013, 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 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 165,028,000 (2012: Shs 408,656,000) has been added to retained earnings. The directors recommend the approval of a first and final dividend of Shs 3.75 (2012: Shs 3.75) per stock unit.

The results for the year are set out on pages 11 to 57 in the attached financial statements.

ANNUAL GENERAL MEETING

The Eighty Sixth Annual General Meeting of the company will be held in the Ballroom, Nairobi Serena Hotel, Nairobi, on Tuesday 20 May 2014 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: -

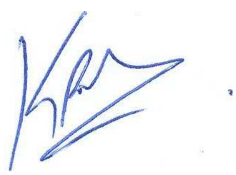
	At 31 December 2013		At 31 December 2012	
	Beneficial Stock units	Non-beneficial Stock units	Beneficial Stock units	Non-beneficial Stock units
Mr. K W Tarplee	-	75	-	75
Mr. G H Mclean	100	-	100	-
Mr. C J Flowers	-	-	-	-
Mr. K R Shah	200	-	200	-
Mr. N Nganga	1,000	-	1,000	-
Mr. C J Ames	-	300	-	300
Mr. D M Ndonye	-	-	-	-
Mr. S N Waruhiu	-	-	-	-

In accordance with Article 117 of the Company's Articles of Association, Mr K W Tarplee and Mr N Ng'ang'a retire at this meeting 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.

By order of the Board



K R Shah
Director

18 March 2014

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

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
(ii) Selecting and applying appropriate accounting policies;
(iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the group and the company at 31 December 2013 and of the group financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of approval of the financial statements.

K R Shah	**C J Flowers**
Director	**Director**
18 March 2014	18 March 2014

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 currently comprises eight directors. Five are non-executive directors, of which three are considered independent. The remaining three directors are executive directors.

The board has established the following committees:

1. The audit and risk committee is chaired by Mr. N Nganga. The other members of the committee are Mr. K W Tarplee, Mr. D M Ndonye and Mr. S N Waruhiu.

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 AND RISK COMMITTEE

During the year, the audit and risk 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 reviews the external auditors plan at the commencement of the annual audit and receives the external auditors report at the conclusion of the annual 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
18 March 2014

C J Flowers
18 March 2014

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 57. These financial statements comprise the consolidated statement of financial position at 31 December 2013 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 2013 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 2013 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.

PricewaterhouseCoopers CPA. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke
Partners: A Eriksson P Kinisu K Muchiru M Mugasa F Muriu P Ngahu A Njeru R Njoroge B Okundi K Saiti R Shah

pwc

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

Report on other legal requirements

As required by the Kenyan Companies Act we report to you, based on our audit, 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;

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Michael Mugasa – P/No 1478.

PricewaterhouseCoopers.

Certified Public Accountants
Nairobi

18 March 2014

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2013 Shs'000	2012 Shs'000
Sales	5	1,384,375	1,564,792
Gains arising from changes in fair value less costs to sell of biological assets	6	96,317	63,686
		1,480,692	1,628,478
Cost of production		(972,421)	(895,249)
Gross profit		508,271	733,229
Other income	7	8,451	17,216
Distribution costs		(355,387)	(417,975)
Profit on sale of investment in subsidiary	19	-	53,249
Operating profit		161,335	385,719
Finance income	8	77,971	93,580
Profit before income tax		239,306	479,299
Income tax expense	11	(74,278)	(129,833)
Profit for the year from continuing operations		165,028	349,466
Profit for the year from discontinued operations		-	59,190
Profit for the year		165,028	408,656
Other comprehensive income			
Actuarial gains/(losses) on post employment benefit obligations (net of tax)	11	11,275	(3,552)
Total comprehensive income		176,303	405,104
Profit for the period attributable to:			
Equity holders of the company:			
Profit for the year from continuing operations		165,028	349,466
Profit for the year from discontinued operations		-	29,891
Profit for the year attributable to equity holders of the company		165,028	379,357
Non controlling interest: Profit for the year from discontinued operations		-	29,299
		165,028	408,656
Total comprehensive income attributable to:			
Equity holders of the company:			
Profit for the year from continuing operations		176,303	345,914
Profit for the year from discontinued operations		-	29,891
Profit for the year attributable to equity holders of the company		176,303	375,805
Non controlling interest: Profit for the year from discontinued operations		-	29,299
		176,303	405,104
Earnings per share attributable to equity holders of the company:		**Shs**	Shs
Basic and diluted earnings per stock unit – continuing operations		8.42	17.83
Basic and diluted earnings per stock unit – discontinued operations		-	1.52
	12	8.42	19.35

The notes on pages 18 to 57 are an integral part of these financial statements.

Consolidated statement of financial position

	Notes	31 December 2013 Shs'000	31 December 2012 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		9,986	(1,289)
Retained earnings		2,722,542	2,631,014
Proposed dividend	12	73,500	73,500
Total equity		2,904,028	2,801,225
Non current liabilities			
Deferred income tax	15	623,204	578,138
Post employment benefit obligations	16	43,130	46,314
		666,334	624,452
Total equity and non current liabilities		3,570,362	3,425,677
Non current assets			
Property, plant and equipment	17	544,697	552,635
Biological assets	6	1,905,821	1,757,128
Prepaid operating lease rentals	18	4,404	4,409
Financial assets available for sale	20	76,923	-
Non current receivables	22	15,043	20,055
		2,546,888	2,334,227
Current assets			
Inventories	21	77,365	65,428
Receivables and prepayments	22	173,147	274,505
Cash and cash equivalents	24	904,758	897,540
Financial assets available for sale	20	15,385	-
		1,170,655	1,237,473
Current liabilities			
Payables and accrued expenses	23	129,610	129,212
Current income tax		7,805	3,464
Post employment benefit obligations	16	9,766	13,347
		147,181	146,023
Net current assets		1,023,474	1,091,450
		3,570,362	3,425,677

The notes on pages 18 to 57 are an integral part of these financial statements.

The financial statements on pages 11 to 57 were approved for issue by the board of directors on 18 March 2014 and signed on its behalf by:

K R Shah
Director

C J Flowers
Director

Company statement of financial position

	Notes	31 December 2013 Shs'000	31 December 2012 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		9,986	(1,289)
Retained earnings		2,718,401	2,626,873
Proposed dividend	12	73,500	73,500
Total equity		2,899,887	2,797,084
Non current liabilities			
Deferred income tax	15	623,204	578,138
Post employment benefit obligations	16	43,130	46,314
		666,334	624,452
Total equity and non current liabilities		3,566,221	3,421,536
Non current assets			
Property, plant and equipment	17	544,697	552,635
Biological assets	6	1,905,821	1,757,128
Prepaid operating lease rentals	18	4,404	4,409
Investment in subsidiaries	19	4,295	4,295
Financial assets available for sale	20	76,923	-
Non current receivables	22	15,043	20,055
		2,551,183	2,338,522
Current assets			
Inventories	21	77,365	65,428
Receivables and prepayments	22	173,147	274,505
Cash and cash equivalents	24	904,758	897,540
Financial assets available for sale	20	15,385	-
		1,170,655	1,237,473
Current liabilities			
Payables and accrued expenses	23	137,993	137,595
Current income tax		7,858	3,517
Post employment benefit obligations	16	9,766	13,347
		155,617	154,459
Net current assets		1,015,038	1,083,014
		3,566,221	3,421,536

The notes on pages 18 to 57 are an integral part of these financial statements.

The financial statements on pages 11 to 57 were approved for issue by the board of directors on 18 March 2014 and signed on its behalf by:

K R Shah
Director

C J Flowers
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 2013							
At start of year	98,000	(1.289)	2,631,014	73,500	2,801,225	-	2,801,225
Total comprehensive income for the year:							
Profit for the year	-	-	165,028	-	165,028	-	165,028
Other comprehensive income:							
Actuarial gain on post employment benefit obligations (net of tax) (Note 16)	-	11,275	-	-	11,275	-	11,275
Total	-	11,275	165,028	-	176,303	-	176,303
Transactions with owners:							
Dividends to equity owners of the company:							
- Final for 2012 (Note 12 (ii))	-	-	-	(73,500)	(73,500)	-	(73,500)
- Proposed for 2013 (Note 12 (ii))	-	-	(73,500)	73,500	-	-	-
Total transactions with owners	-	-	(73,500)	-	(73,500)	-	(73,500)
At end of year	98,000	9,986	2,722,542	73,500	2,904,028	-	2,904,028

The notes on pages 18 to 57 are an integral part of these financial statements.

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 2012							
At start of year	98,000	2,413	2,325,157	73,500	2,499,070	257,695	2,756,765
Total comprehensive income for the year:							
Profit for the year	-	-	379,357	-	379,357	29,299	408,656
Other comprehensive income:							
Actuarial loss on post employment benefit obligations (net of tax) (Note 16)	-	(3,552)	-	-	(3,552)	-	(3,552)
Total	-	(3,552)	379,357	-	375,805	29,299	405,104
Transactions with owners:							
Dividend paid to non controlling interest	-	-	-	-	-	(109,427)	(109,427)
Disposal of a subsidiary	-	(150)	-	-	(150)	(177,567)	(177,717)
Dividends to equity owners of the company:							
- Final for 2011 (Note 12 (ii))	-	-	-	(73,500)	(73,500)	-	(73,500)
- Proposed for 2012 (Note 12 (ii))	-	-	(73,500)	73,500	-	-	-
Total transactions with owners	-	(150)	(73,500)	-	(73,650)	(286,994)	(360,644)
At end of year	98,000	(1,289)	2,631,014	73,500	2,801,225	-	2,801,225

The notes on pages 18 to 57 are an integral part of these financial statements.

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 2013					
At start of year	98,000	(1,289)	2,626,873	73,500	2,797,084
Total comprehensive income for the year:					
Profit for the year	-	-	165,028	-	165,028
Other comprehensive income:					
Actuarial gain on post employment benefit obligations (net of tax) (Note 16)	-	11,275	-	-	11,275
Total	-	11,275	165,028	-	176,303
Transactions with owners:					
Dividends:					
- Final for 2012 (Note 12 (ii))	-	-	-	(73,500)	(73,500)
- Proposed for 2013 (Note 12 (ii))	-	-	(73,500)	73,500	-
Total	-	-	(73,500)	-	(73,500)
At end of year	98,000	9,986	2,718,401	73,500	2,899,887
Year ended 31 December 2012					
At start of year	98,000	2,263	2,170,032	73,500	2,343,795
Total comprehensive income for the year:					
Profit for the year	-	-	530,341	-	530,341
Other comprehensive income:					
Actuarial loss on post employment benefit obligations (net of tax) (Note 16)	-	(3,552)	-	-	(3,552)
Total	-	(3,552)	530,341	-	526,789
Transactions with owners:					
Dividends:					
- Final for 2011 (Note 12 (ii))	-	-	-	(73,500)	(73,500)
- Proposed for 2012 (Note 12 (ii))	-	-	(73,500)	73,500	-
Total	-	-	(73,500)	-	(73,500)
At end of year	98,000	(1,289)	2,626,873	73,500	2,797,084

The notes on pages 18 to 57 are an integral part of these financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 December 2013 Shs'000	2012 Shs'000
Operating activities			
Cash generated from operations	25	411,132	304,081
Cash generated from continuing operations:			
Interest received	8	77,043	90,327
Income tax paid		(29,703)	(143,563)
Cash generated from discontinued operations		-	13,767
Net cash from operating activities		458,472	264,612
Investing activities			
Investing activities from continuing operations:			
Purchase of property, plant and equipment	17	(38,401)	(61,796)
Purchase of biological assets and development	6	(249,444)	(253,136)
Purchase of available for sale investments	20	(100,000)	-
Proceeds from disposal of property, plant and equipment		2,399	2,103
Proceeds from sale of available for sale investments	20	7,692	-
Proceeds from sale of shares in subsidiary		-	233,727
Investing activities discontinued operations		-	(2,375)
Net cash used in investing activities		(377,754)	(81,477)
Financing activities			
Dividend paid to company's shareholders	12	(73,500)	(73,500)
Dividend paid to non controlling interest		-	(109,427)
Net cash used in financing activities		(73,500)	(182,927)
Increase in cash and cash equivalents		7,218	208
Movement in cash and cash equivalents			
At start of year		897,540	897,332
Increase		7,218	208
At end of year	24	904,758	897,540

The notes on pages 18 to 57 are an integral part of these financial statements.

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
Kenya

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 standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2013.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the company's accounting policies has been as follows: 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).

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10 'Consolidated financial statements' 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. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off statement of financial position vehicles.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs 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 IFRSs.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the company until 1 January 2014, however the company has decided to early adopt the amendment as of 1 January 2013.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The only significant levy the Company is payable to HCDA and Kephis.

(ii) New Standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group or Company

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New Standards and interpretations not yet adopted (continued)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate 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 the income statement, unless this creates an accounting mismatch. The company is yet to assess IFRS 9's full impact. The company will also consider the impact of the remaining phases of IFRS 9 when completed.

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) 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.

(d) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(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.

(e) 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'.

(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 comprise tea, avocado, pineapple, macadamia, eucalyptus and livestock.

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 and mature macadamia are determined based on the net present values of expected future cash flows, 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 and macadamia. 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.

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 (Nandi Hills employees) or employees who retire and have completed at least five years (Makuyu employees) of service are entitled to twenty one days pay (Nandi Hills employees) or eighteen days (Makuyu employees) for each completed year of service respectively. 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 credit 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.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(i) Post employment benefits (continued)

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 evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(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 6.

(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 16.

(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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

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 2013, 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 112,561 (2012: 90,650) higher/lower mainly as a result of US dollar cash at bank and trade receivables.

At 31 December 2013 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 493,730 higher/lower (2012: 1,627,506) mainly as a result of Euro trade receivables.

(**ii) Price risk**

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

(iii) Cash flow interest rate risk

The Group has borrowings and bank overdraft facilities at variable rates, which exposes the Group to cash flow interest rate risk. The group regularly monitors financing options available to ensure optimum interest rates are obtained. For the year ended 31 December 2013, an increase/decrease of 5% would have resulted in a decrease/increase in post tax profit of Shs Nil (2012: 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 5,140,279 (2012: Shs 3,636,000).

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 2013 is carrying value of the financial assets in the statement of financial position.

Collateral is held only for staff loans amounting to Shs 20,492,420 (2012: Shs 23,170,359) 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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

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):

	2013 Shs'000	2012 Shs'000
Past due but not impaired:		
by up to 30 days	-	-
by 31 to 60 days	1,963	72
by 61 to 90 days	161	228
over 90 days	865	750
Total past due but not impaired	2,989	1,050
Impaired	-	-

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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 2013:				
- Payables and accrued expenses	129,610	-	-	-
- Current income tax	7,805	-	-	-
At 31 December 2012:				
- Payables and accrued expenses	129,212	-	-	-
- Current income tax	3,464	-	-	-

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2013:				
- Payables and accrued expenses	137,993	-	-	-
- Current income tax	7,858	-	-	-
At 31 December 2012:				
- Payables and accrued expenses	137,595	-	-	-
- Current income tax	3,517	-	-	-

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 12.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability,
  either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable
  inputs) (level 3).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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, Tea and Forestry. 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, 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 2013 and 31 December 2012 is as follows:

	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Tea		Avocados		Forestry		All other segments		Consolidated	
	Shs’000	Shs’000	Shs’000	Shs’000	Shs’000	Shs’000	Shs’000	Shs’000	Shs’000	Shs’000
Sales to external customers										
Sales - continuing operations	250,918	319,821	862,772	968,362	158,121	151,647	112,564	124,962	1,384,375	1,564,792
Sales - discontinued operations	-	477,443	-	-		1,097	-	-	-	478,540
	250,918	797,264	862,772	968,362	158,121	152,744	112,564	124,962	1,384,375	2,043,332
Comprising - continuing operations										
Major external customers sales	-	-	837,163	941,882	-	-	-	-	837,163	941,882
All other external customers sales	250,918	319,821	25,609	26,480	158,121	151,647	112,564	124,962	547,212	622,910
	250,918	319,821	862,772	968,362	158,121	151,647	112,564	124,962	1,384,375	1,564,792
Comprising - discontinued operation										
Major external customers sales	-	198,293	-	-	-	-	-	-	-	198,293
All other external customers sales	-	279,150	-	-	-	1,097	-	-	-	280,247
	-	477,443	-	-	-	1,097	-	-	-	478,540
Geographical analysis - continuing operations										
United Kingdom	-	-	513,560	400,685	-	-	-	-	513,560	400,685
Continental Europe	-	-	323,603	541,197	-	-	-	-	323,603	541,197
Kenya	250,918	319,821	25,609	26,480	158,121	151,647	112,564	124,962	547,212	622,910
	250,918	319,821	862,772	968,362	158,121	151,647	112,564	124,962	1,384,375	1,564,792
Geographical analysis - discontinued operations										
United Kingdom	-	76,011	-	-	-	-	-	-	-	76,011
Continental Europe	-	2,478	-	-	-	-	-	-	-	2,478
Kenya	-	221,148	-	-	-	1,097	-	-	-	222,245
Others	-	177,806	-	-	-	-	-	-	-	177,806
	-	477,443	-	-	-	1,097	-	-	-	478,540

Notes (continued)

5. Segmental reporting (continued)

	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Tea		Avocados		Forestry		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss)										
Gross profit /(loss) before depreciation and fair value changes in biological assets	43,847	122,585	418,731	575,645	30,218	34,001	(35,673)	(16,085)	457,123	716,146
Depreciation charge	(3,588)	(3,857)	(14,920)	(15,941)	(2,959)	(3,052)	(23,702)	(23,753)	(45,169)	(46,603)
Changes in fair value of biological assets	3,500	4,500	919	(6,996)	38,066	33,954	53,832	32,228	96,317	63,686
Gross profit	43,759	123,228	404,730	552,708	65,325	64,903	(5,543)	(7,610)	508,271	733,229
Distribution costs	-	-	(355,387)	(417,975)	-	-	-	-	(355,387)	(417,975)
Segment profit	43,759	123,228	49,343	134,733	65,325	64,903	(5,543)	(7,610)	152,884	315,254
Other unallocated income and expenses										
Other income							8,451	17,216	8,451	17,216
Interest income							77,971	93,580	77,971	93,580
Profit on sale of shares in subsidiary							-	53,249	-	53,249
Profit before income tax	43,759	123,228	49,343	134,733	65,325	64,903	80,879	156,435	239,306	479,299
Income tax expense	(13,582)	(33,380)	(15,316)	(36,497)	(20,276)	(17,581)	(25,104)	(42,375)	(74,278)	(129,833)
Profit for the year from continuing operations	30,177	89,848	34,027	98,236	45,049	47,322	55,775	114,060	165,028	349,466
Profit for the year from discontinued operations	-	47,658	-	-	-	382	-	11,150	-	59,190
Profit for the year	30,177	137,506	34,027	98,236	45,049	47,704	55,775	125,210	165,028	408,656
Assets (all located in Kenya)										
Segment assets	802,618	585,001	885,455	885,148	557,307	607,190	588,578	1,067,576	2,833,958	3,144,915
Unallocated assets									883,585	426,785
									3,717,543	3,571,700
Liabilities										
Segment liabilities	17,470	19,826	24,687	16,712	-	-	-	-	42,157	36,538
Unallocated liabilities									771,358	733,937
									813,515	770,475
Additions										
Property, plant and equipment	2,987	8,951	12,065	5,897	2,259	1,995	21,090	44,953	38,401	61,796
Biological assets	-	-	3,955	5,850	9,493	4,578	68,665	68,252	82,113	78,680
	2,987	8,951	16,020	11,747	11,752	6,573	89,755	113,205	120,514	140,476

Notes (continued)

6 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 2013						
At start of year	111,172	1,645,956	1,757,128	111,172	1,645,956	1,757,128
Increase due to purchases and development	7,839	241,605	249,444	7,839	241,605	249,444
Gains arising from changes in fair value less costs to sell	36,779	59,538	96,317	36,779	59,538	96,317
Decrease due to harvest and sales	(39,144)	(157,924)	(197,068)	(39,144)	(157,924)	(197,068)
At end of year	116,646	1,789,175	1,905,821	116,646	1,789,175	1,905,821
Year ended 31 December 2012						
At start of year	113,988	1,863,460	1,977,448	113,988	1,533,459	1,647,447
Increase due to purchases and development	10,487	243,295	253,782	10,487	242,649	253,136
Gains arising from changes in fair value less costs to sell	29,725	33,961	63,686	29,725	33,961	63,686
Decrease due to harvest and sales	(43,028)	(164,113)	(207,141)	(43,028)	(164,113)	(207,141)
Disposal of subsidiary	-	(330,647)	(330,647)	-	-	-
At end of year	111,172	1,645,956	1,757,128	111,172	1,645,956	1,757,128

Notes (continued)

6 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 estimated based on the present value of expected net cash flows, using a current market determined pre-tax rate of 17.5% per annum. The key assumptions made concerning the future are as follows:

- projected lifespan of 25 years
- climatic condition will remain the same
- the market price will remain constant based on recent market prices
- the costs to be incurred in growing the avocados and getting them to the market will remain constant based on recent financial budgets of the company

The fair value of macadamia plantation is estimated based on the present value of expected net cash flows, using a current market determined pre-tax rate of 17.5% per annum. The key assumptions made concerning the future are as follows:

- projected lifespan of 30 years
- climatic condition will remain the same
- recent market price will prevail
- the costs to be incurred in growing the macadamia and getting them to the market will remain constant based on recent financial budgets of the company

The fair value of other plantations is determined by external independent valuation based on recent market transaction prices.

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

Notes (continued)

6 Biological assets (continued)

The following table presents group's biological assets that are measured at fair value at 31 December 2013

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Year ended 31 December 2013				
Livestock	-	116,646	-	116,646
Avocado	-	-	689,719	689,719
Tea	-	225,000	-	225,000
Forestry	-	489,770	-	489,770
Macadamia	-	-	330,686	330,686
Pineapple	-	54,000	-	54,000
	-	885,416	1,020,405	1,905,821
Year ended 31 December 2012				
Livestock	-	111,172	-	111,172
Avocado	-	-	685,457	685,457
Tea	-	221,500	-	221,500
Forestry	-	444,500	-	444,500
Macadamia	-	-	244,499	244,499
Pineapple	-	50,000	-	50,000
	-	827,172	929,956	1,757,128

There were no transfers between any levels during the year.

Notes (continued)

6 Biological assets (continued)

The movement in the fair value of the assets within level 3 of the hierarchy is as follows:-

	Avocado Shs'000	Macadamia Shs'000	Total
Year ended 31 December 2013			
At start of year	685,457	244,499	929,956
Increase due to plantings	138,212	67,893	206,105
Gain in profit or loss arising from biological transformation	919	18,294	19,213
Decrease due to harvest	(134,869)	-	(134,869)
	689,719	330,686	1,020,405
Year ended 31 December 2012			
At start of year	682,948	176,247	859,195
Increase due to plantings	146,933	68,252	215,185
Gain in profit or loss arising from biological transformation	(6,996)	-	(6,996)
Decrease due to harvest	(137,428)	-	(137,428)
	685,457	244,499	929,956

Notes (continued)

6 Biological assets (continued)

The following unobservable inputs at the respective year ends were used to measure the company avocado plantations

Year ended 31 December 2013

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs–31 Dec	Relationship of unobservable inputs to fair value
Avocado Plantations	686,719	Discounted cash flows	Yield - Kgs per Hectare	22,000	The higher the yield, the higher the value
			Price per carton	€2.60 – €3.52	The higher the market price, the higher the fair value
			Discount rate	17.50%	The higher the discount rate, the lower the fair value

Year ended 31 December 2012

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable Inputs	Range of unobservable inputs-31 Dec	Relationship of unobservable inputs to fair value
Avocado Plantations	685,457	Discounted cash flows	Yield - Kgs per Hectare	22,000	The higher the yield, the higher the value
			Price per carton	€2.40 – €3.63	The higher the market price, the higher the fair value
			Discount rate	17.50%	The higher the discount rate, the lower the fair value

Notes (continued)

6 Biological assets (continued)

The following unobservable inputs at the year end were used to measure the company macadamia plantations

Year ended 31 December 2013

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs-31 Dec	Relationship of unobservable inputs to fair value
Macadamia Plantations	330,686	Discounted cash flows	Yield Kgs/Ha	1,000	The higher the yield, the higher the value
			Kernel price	\$4.50 – \$5.50	The higher the market price, the higher the fair value
			Discount rate	17.50%	The higher the discount rate, the lower the fair value

Notes (continued)

6 Biological assets (continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	Hectares	**Hectares**	**Hectares**	**Hectares**
Areas planted with the various crops at the year end:				
Tea	510	510	510	510
Timber plantations	1,656	1,528	1,656	1,528
Avocado	414	414	414	414
Pineapple	48	45	48	45
Macadamia	621	585	621	585
	Head	Head	**Head**	**Head**
Cattle numbers at the year end	4,499	4,468	4,499	4,468
	Metric tonnes	**Metric tonnes**	**Metric tonnes**	**Metric tonnes**
Output of agricultural produce during the year:				
Tea (green leaf)	6,923	9,997	6,923	6,291
Avocado	6,423	9,231	6,423	9,231
Pineapple	1,478	1,665	1,478	1,665
Macadamia	42	5	42	5
	Cubic metres	**Cubic metres**	**Cubic metres**	**Cubic metres**
Timber harvested during the year was:	4,863	14,470	4,863	14,470

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 (2012: Nil). Fuel wood is included under inventory.

Notes (continued)

6 Biological assets (continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Fair value of the agricultural output after deducting costs to sell:				
Tea (green leaf)	264,466	461,241	264,466	313,052
Avocado	345,894	474,655	345,894	474,655
Pineapple	38,250	38,784	38,250	38,784
Others	182,169	91,743	182,169	90,646
	830,779	1,066,423	830,779	917,137

7 Other Income

	2013	**2012**
	Shs'000	**Shs'000**
Net foreign exchange (loss)/gain other than cash and cash equivalents	(1,103)	7,939
Gain on disposal of property, plant and equipment	1,229	1,738
Rental Income	3,322	4,880
Sundry	5,003	2,659
	8,451	17,216
Other income from discontinued operations	-	11,229
	8,451	28,445

8 Finance income and costs

	2013	**2012**
	Shs'000	**Shs'000**
Finance income		
Interest income on short term bank deposits	77,043	90,327
Net foreign exchange gain on cash and cash equivalents	928	3,253
	77,971	93,580
Finance income from discontinued operations	-	14,132
	77,971	107,712

Notes (continued)

9 Expenses by nature

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

	2013 Shs'000	2012 Shs'000
Depreciation on property, plant and equipment (Note 17)	45,169	52,876
Repairs and maintenance expenditure on property, plant and equipment	38,227	40,947
Amortisation of prepaid operating lease rentals (Note 18)	5	10
Gain arising from changes in fair value less costs to sell of biological assets (Note 6)	(96,317)	(63,686)
Inventories expensed	461,759	897,731
Employee benefits expense (Note 10)	361,999	407,591
Auditor's remuneration	5,775	6,682

10 Employee benefits expense

The following items are included within employee benefits expense:

	2013 Shs'000	2012 Shs'000
Salaries and wages	341,712	375,098
Post employment benefits costs:		
Post employment benefit obligations (Note 16)	12,216	23,024
Defined contribution scheme	2,405	2,537
National Social Security Fund	5,666	6,932
	361,999	407,591

11 Income tax expense

	2013 Shs'000	2012 Shs'000
Current income tax	29,212	116,561
Deferred income tax (Note 15)	45,066	42,589
Income tax expense	74,278	159,150
Income tax expense from continuing operations	74,278	129,833
Income tax expense from discontinued operations	-	29,317
	74,278	159,150

Notes (continued)

11 Income tax expense (continued)

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:

	2013 Shs'000	2012 Shs'000
Profit before income tax	239,306	479,299
Tax calculated at the statutory income tax rate of 30% (2012: 30%)	71,792	143,790
Tax effect of:		
Income not subject to income tax	(74)	(16,064)
Expenses not deductible for income tax purposes	2,442	2,107
Under provision of deferred income tax in prior years	118	-
Income tax expense	74,278	129,833
Income tax expense from discontinued operations	-	29,317
	74,278	159,150

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

	2013 Shs'000	2012 Shs'000
Fair value gains/(losses) on post employment benefit obligations:		
Before tax (Note 16)	16,107	(5,074)
Tax (charge)/credit	(4,832)	1,522
After tax	11,275	(3,552)

Notes (continued)

12 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 2013 and 31 December 2012.

The company had no potentially dilutive stock units outstanding at 31 December 2013 and 31 December 2012.

	2013	2012
Profit attributable to equity holders of the company (Shs '000)	165,028	379,357
Number of stock units in issue (thousands)	19,600	19,600
Basic and diluted earnings per stock unit (Shs)	8.42	19.35

ii) Dividends per stock unit

At the annual general meeting to be held on 20 May 2014, the directors will recommend the payment of a first and final dividend of 75% equivalent to Shs 3.75 per stock unit (2012: Shs 3.75) in respect of the year ended 31 December 2013.

13 Share capital

	Number of stock units (Thousands)	Ordinary shares Shs '000
Authorised		
At 1 January 2012, 31 December 2012 and 31 December 2013	20,000	100,000
Issued and converted into stock units		
At 1 January 2012, 31 December 2012 and 31 December 2013	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)

14 Borrowing facilities – Group and Company

	2013 Shs'000	2012 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 2013.

The undrawn bank facilities of Shs 626,300,000 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.

15 Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2012: 30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2013 Shs'000	**2012 Shs'000**	**2013 Shs'000**	**2012 Shs'000**
At start of year	578,138	652,631	578,138	547,746
Charge to income statement	40,234	42,589	40,234	31,914
Charge to other comprehensive income	4,832	(1,522)	4,832	(1,522)
Disposal of subsidiary	-	(115,560)	-	-
At end of year	623,204	578,138	623,204	578,138

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

	Group		Company	
	2013 Shs'000	**2012 Shs'000**	**2013 Shs'000**	**2012 Shs'000**
Deferred income tax assets	(30,978)	(36,262)	(30,978)	(36,262)
Deferred income tax liabilities	654,182	614,400	654,182	614,400
	623,204	578,138	623,204	578,138

Notes (continued)

15 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 2013 - Group

	Balance 1.1.2013 Shs'000	Charged/ (credit) to SCI Shs'000	Balance 31.12.2013 Shs'000
Property, plant and equipment	120,613	(3,207)	117,406
Biological assets	493,787	42,966	536,753
Provisions for liabilities	(24,469)	3,687	(20,782)
Capital development expenditure	(11,504)	1,308	(10,196)
Other temporary differences	(289)	312	23
Net deferred income tax liability	578,138	45,066	623,204

Year ended 31 December 2012 - Group

	Balance 1.1.2012 Shs'000	Charged/ (credit) to SCI Shs'000	Disposal of subsidiary Shs'000	Balance 31.12.2012 Shs'000
Property, plant and equipment	137,156	12,538	(29,081)	120,613
Biological assets	559,038	33,875	(99,126)	493,787
Provisions for liabilities	(31,292)	(1,114)	7,937	(24,469)
Capital development expenditure	(13,006)	1,502	-	(11,504)
Other temporary differences	735	(5,734)	4,710	(289)
Net deferred income tax liability	652,631	41,067	(115,560)	578,138

Notes (continued)

15 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 2013 – Company

	Balance 1.1.2013 Shs'000	Charged/ (credit) to SCI Shs'000	Balance 31.12.2013 Shs'000
Property, plant and equipment	120,613	(3,207)	117,406
Biological assets	493,787	42,966	536,753
Provisions for liabilities	(24,469)	3,687	(20,782)
Capital development expenditure	(11,504)	1,308	(10,196)
Other temporary differences	(289)	312	23
Net deferred income tax liability	578,138	45,066	623,204

Year ended 31 December 2012 – Company

	Balance 1.1.2012 Shs'000	Charged/ (credit) to SCI Shs'000	Balance 31.12.2012 Shs'000
Property, plant and equipment	119,443	1,170	120,613
Biological assets	460,038	33,749	493,787
Provisions for liabilities	(18,845)	(5,624)	(24,469)
Capital development expenditure	(13,006)	1,502	(11,504)
Other temporary differences	116	(405)	(289)
Net deferred income tax liability	547,746	30,392	578,138

Notes (continued)

16 Post employment benefit obligations

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

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Present value of post employment benefit obligations	52,896	59,661	52,896	59,661
Split as follows:				
Non-current portion	43,130	46,314	43,130	46,314
Current portion	9,766	13,347	9,766	13,347

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

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	59,661	71,868	59,661	45,370
Net expense recognised in the statement of comprehensive income	(3,891)	28,098	(3,891)	19,231
Benefits paid	(2,874)	(6,736)	(2,874)	(4,940)
Disposal of subsidiary	-	(33,569)	-	-
At end of year	52,896	59,661	52,896	59,661

Notes (continued)

16 Post employment benefit obligations (continued)

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Current service cost	4,921	9,485	4,921	4,083
Past service cost	-	4,070	-	4,070
Interest on obligation	7,295	9,469	7,295	6,004
Total included in employee benefits expenses (Note 10)	12,216	23,024	12,216	14,157
Actuarial gain/(loss) recognised in other comprehensive income (Note 11)	16,107	(5,074)	16,107	(5,074)

The principal actuarial assumptions used are as follows:

		Gratuity (Nandi Hills)		Gratuity (Makuyu)	
		2013	**2012**	**2013**	**2012**
Discount rate (% p.a.)		13.5%	12%	13.5%	12%
Future salary increases (% p.a.)	first year	8%	12%	8%	10%
	second year	10%	10%	10%	10%
	Thereafter	10%	10%	10%	10%

Five year summary:

	2013	**2012**	**2011**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Present value of post employment benefit obligations – Group	52,896	59,661	71,868	70,297	57,319
Present value of post employment benefit obligations – Company	52,896	59,661	45,370	43,124	36,117
Net expense recognised in the statement of comprehensive income - Group					
- within 'cost of production'	12,216	23,024	13,373	12.088	11,810
- within 'other comprehensive income (gain)/loss	(16,107)	5,074	(5,702)	4,695	(2,440)
Net expense recognised in the statement of comprehensive income – Company					
- within 'cost of production'	12,216	14,157	8,637	7,802	8,132
- within 'other comprehensive income (gain)/loss	(16,107)	5,074	(3,464)	1,703	(4,471)

Notes (continued)

17 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 2013						
Cost						
At start of year	923,305	134,858	146,016	47,684	12,807	1,264,670
Transfers	11,334	1,148	-	325	(12,807)	-
Additions	15,304	5,737	12,819	2,615	1,926	38,401
Disposals	(1,071)	(11)	(8,192)	(1,277)	-	(10,551)
At end of year	948,872	141,732	150,643	49,347	1,926	1,292,520
Depreciation and impairment						
At start of year	487,046	65,509	116,813	42,667	-	712,035
Charge for the year	20,384	9,031	12,402	3,352	-	45,169
On disposals	(415)	(11)	(7,820)	(1,135)	-	(9,381)
At end of year	507,015	74,529	121,395	44,884	-	747,823
Net book amount	441,857	67,203	29,248	4,463	1,926	544,697
Depreciation and impairment at year end comprises:						
Depreciation	429,638	73,971	121,395	44,761	-	669,765
Impairment	77,377	558	-	123	-	78,058
	507,015	74,529	121,395	44,884	-	747,823

Notes (continued)

17 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 2012						
Cost						
At start of year	992,794	232,667	153,526	51,154	21,435	1,451,576
Transfers	7,275	13,143	1,017	-	(21,435)	-
Additions	10,794	24,097	15,190	2,691	13,827	66,599
Disposals	(84)	(16,068)	(5,371)	(487)	-	(22,010)
Disposal of subsidiary	(87,474)	(118,981)	(18,346)	(5,674)	(1,020)	(231,495)
At end of year	923,305	134,858	146,016	47,684	12,807	1,264,670
Depreciation and impairment						
At start of year	504,331	151,269	121,364	44,185	-	821,149
Charge for the year	25,058	9,110	13,870	4,838	-	52,876
On disposals	(76)	(15,335)	(5,371)	(487)	-	(21,269)
Disposal of subsidiary	(42,267)	(79,535)	(13,050)	(5,869)	-	(140,721)
`						
At end of year	487,046	65,509	116,813	42,667	-	712,035
Net book amount	436,259	69,349	29,203	5,017	12,807	552,635
Depreciation and impairment at year end comprises:						
Depreciation	409,600	64,920	116,813	42,415	-	633,748
Impairment	77,446	589	-	252	-	78,287
	487,046	65,509	116,813	42,667	-	712,035

Notes (continued)

17 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 2013						
Cost						
At start of year	923,305	134,858	146,016	47,684	12,807	1,264,670
Transfers	11,334	1,148	-	325	(12,807)	-
Additions	15,304	5,737	12,819	2,615	1,926	38,401
Disposals	(1,071)	(11)	(8,192)	(1,277)	-	(10,551)
At end of year	948,872	141,732	150,643	49,347	1,926	1,292,520
Depreciation and impairment						
At start of year	487,046	65,509	116,813	42,667	-	712,035
Charge for the year	20,384	9,031	12,402	3,352	-	45,169
On disposals	(415)	(11)	(7,820)	(1,135)	-	(9,381)
At end of year	507,015	74,529	121,395	44,884	-	747,823
Net book amount	441,857	67,203	29,248	4,463	1,926	544,697
Depreciation and impairment at year end comprises:						
Depreciation	429,638	73,971	121,395	44,761	-	669,765
Impairment	77,377	558	-	123	-	78,058
	507,015	74,529	121,395	44,884	-	747,823

Notes (continued)

17 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 2012						
Cost						
At start of year	907,552	109,681	138,758	45,631	7,591	1,209,213
Transfers	5,043	1,531	1,017	-	(7,591)	-
Additions	10,794	24,043	11,612	2,540	12,807	61,796
Disposals	(84)	(397)	(5,371)	(487)	-	(6,339)
At end of year	923,305	134,858	146,016	47,684	12,807	1,264,670
Depreciation and impairment						
At start of year	466,507	56,746	109,408	38,745	-	671,406
Charge for the year	20,615	8,803	12,776	4,409	-	46,603
On disposals	(76)	(40)	(5,371)	(487)	-	(5,974)
At end of year	487,046	65,509	116,813	42,667	-	712,035
Net book amount	436,259	69,349	29,203	5,017	12,807	552,635
Depreciation and impairment at year end comprises:						
Depreciation	409,600	64,920	116,813	42,415	-	633,748
Impairment	77,446	589	-	252	-	78,287
	487,046	65,509	116,813	42,667	-	712,035

Notes (continued)

18 Prepaid operating lease rentals

	Group 2013 Shs'000	Group 2012 Shs'000	Company 2013 Shs'000	Company 2012 Shs'000
At start of year	4,409	8,099	4,409	4,414
Amortization charge for the year	(5)	(10)	(5)	(5)
Disposal of subsidiary	-	(3,680)	-	-
At end of year	4,404	4,409	4,404	4,409

19 Investment

(a) Investment in subsidiaries

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.

Year ended 31 December 2013	Siret Tea Company Limited Shs'000	Kaguru EPZ Limited Shs'000	Estates Services Limited Shs'000	Total Shs'000
At start of year	-	1,670	2,625	4,295
At end of year	-	1,670	2,625	4,295
Year ended 31 December 2012				
At start of year	111,241	1,670	2,625	115,536
Disposal of shares in subsidiary	(111,241)	-	-	(111,241)
At end of year	-	1,670	2,625	4,295

(b) Profit on sale of shares in subsidiary

	Group 2013 Shs'000	Group 2012 Shs'000	Company 2013 Shs'000	Company 2012 Shs'000
Sale proceeds	-	233,727	-	233,727
Related cost of investment	-	-	-	(111,241)
Carrying value of investment at disposal	-	(180,478)	-	-
	-			
Profit on sale shares in subsidiary accounted for in Income statement	-	53,249	-	122,486

Notes (continued)

20 Financial assets available for sale (Group and Company)

Financial assets available for sale are restated to their fair value annually at the close of business on 31 December. The movement in financial assets available for sale is as follows:

	2013 shs'000	2012 shs'000
At start of year	-	-
Addition in the year	100,000	-
Redeemed in the year	(7,692)	-
At end of year	92,308	-
Non current portion	76,923	-
Current portion	15,385	-
	92,308	-

21 Inventories (Group and Company)

	2013 shs'000	2012 shs'000
Inventory for sal e	10,887	-
Consumables	66,478	65,428
	77,365	65,428

22 Receivables and prepayments (Group and Company)

	2013 shs'000	2012 shs'000
Trade receivables	14,997	19,555
Due from related companies (Note 26(v))	114,018	196,947
Other receivables	59,175	78,058
	188,190	294,560
Less non current portion	(15,043)	(20,055)
	173,147	274,505
Non current receivables		
Other receivables	15,043	20,055

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 (2012: Nil).

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

Notes (continued)

23 Payables and accrued expenses

	Group		Company	
	2013	**2012**	**2013**	**2012**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Trade payables	54,444	69,187	54,444	69,187
Due to related companies (Note 26(v))	-	-	8,383	8,383
Accrued expenses	23,524	17,323	23,524	17,323
Other payables	51,642	42,702	51,642	42,702
	129,610	129,212	137,993	137,595

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

24 Cash and Cash equivalents (Group and Company)

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

	2013	**2012**
	Shs'000	**Shs'000**
Cash at bank and in hand	14,758	37,540
Short term deposits	890,000	860,000
	904,758	897,540

Notes (continued)

25 Cash generated from operations

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

	2013 Shs'000	2012 Shs'000
Profit before income tax	239,306	479,299
Adjustments for:		
Interest income (Note 8)	(77,043)	(90,327)
Depreciation (Note 17)	45,169	46,603
Amortisation of prepaid operating lease rentals (Note 18)	5	5
Profit on sale of property, plant and equipment	(1.229)	(1,738)
Profit on sale of shares in subsidiary (Note 19)	-	(53,249)
Gains arising from changes in fair value less estimated point-sale costs of biological assets (Note 6)	(96,317)	(63,686)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 6)	197,068	207,141
Actuarial gain/(loss) on post employment benefit obligations (Note 16)	16,107	(5,074)
Changes in working capital		
- inventories	(11,937)	(7,584)
- receivables and prepayment	106,370	(73,372)
- payables and accrued expenses	398	27,504
- post employment benefit obligations	(6,765)	14,291
Cash generated from continuing operations	411,132	479,813
Cash generated from discontinued operations	-	(175,732)
Cash generated from operations	411,132	304,081

Notes (continued)

26 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	
	2013	**2012**	**2013**	**2012**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
i) Sale of goods to:				
Eastern Produce Kenya Limited	250,273	346,571	250,273	309,048
				25,062
Siret Tea Company Limited	-	-	-	-
	250,273	346,571	250,273	334,110
ii) Purchase of goods and services from:				
Linton Park Plc	56,733	38,808	56,733	38,808
Robertson Bois Dickson Anderson Limited	4,818	22,044	4,818	5,351
Eastern Produce Kenya Limited	62,702	56,189	62,702	37,288
Siret Tea Company Limited (up to 31 August 2012)	-	-	-	48
	124,253	117,041	124,253	81,495
iii) Key management compensation				
Salaries and other short-term employment benefits	31,005	32,251	31,005	32,251
Post employment benefits	317	308	317	308
	31,322	32,559	31,322	32,559
iv) Directors' remuneration				
Fees for services as a director	1,500	1,450	1,500	1,050
Other emoluments (included in key management compensation above)	148	87	148	87
	1,648	1,537	1,648	1,137

Notes (continued)

26 Related party transactions (continued)

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

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related Companies				
Eastern Produce Kenya Limited	113,987	168,854	113,987	168,854
Robertson Bois Dickson Anderson Limited	31	28,093	31	28,093
	114,018	196,947	114,018	196,947
Due to related Companies				
Estate Services Limited	-	-	2,570	2,570
Kaguru Limited	-	-	5,813	5,813
	-	-	8,383	8,383

27 Commitments

Capital commitments

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

	2013	2012
	Shs'000	Shs'000
Property, plant and equipment	4,515	2,423

------------- 000 -------------

Five year record

	2013 Shs'000	2012 Shs'000	2011 Shs'000	2010 Shs'000	2009 Shs'000
Turnover	1,384,375	2,043,332	2,376,862	2,113,774	2,008,157
Profit before income tax	239,306	567,806	920,093	558,629	556,449
Income tax	(74,278)	(159,150)	(275,696)	(169,963)	(167,863)
Profit after income tax	165,028	408,656	644,397	388,666	388,586
Non controlling interest	-	(29,299)	(94,461)	(75,292)	(50,120)
Profit attributable to the members of Kakuzi Limited	165,028	379,357	549,936	313,374	338,466
Dividends: -					
Proposed final dividend - for the year	73,500	73,500	73,500	49,000	49,000
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves and non controlling interest	2,806,028	2,703,225	2,658,765	2,112,504	1,790,294
Total equity	2,904,028	2,801,225	2,756,795	2,210,504	1,888,294
Basic earnings per stock unit (Shs)	8.42	19.35	28.06	15.99	17.26
Dividends per stock unit (Shs)	3.75	3.75	3.75	2.50	2.50
Dividend cover	2.25	5.16	7.48	6.40	6.91
Total equity per stock unit (Shs)	148.16	142.92	140.65	112.78	96.34

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 2013 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	4,275,109	21.81
4. CFC Stanbic Nominees Ltd – A/C NR1030624	594,975	3.04
5. Standard Chartered Nominees – A/C 9532	315,334	1,61
6. G H Kluge & Sons Limited	239,118	1.22
7. Henry Richard Moszkowicz	205,912	1.05
8. HBSC Global Custody Nominee (UK) Ltd	200,000	1.02
9. CFC Stanbic Nominees Ltd - A/C R48701	148,965	0.76
10. Joe Barrage Wanjui	122,004	0.62

* 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 2013 was:

Stock units range	Number of stockholders	Number of stock units	%
Less than 500	763	144,744	0.74
501 to 5,000	560	1,036,994	5.29
5,001 to 10,000	63	479,951	2.45
10,001 to 100,000	68	1,696,326	8.65
100,001 to 1,000,000	9	2,030,241	10.36
Over 1,000,000	3	14,211,743	72.51
	1,466	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 in the Ballroom, Nairobi Serena Hotel, Nairobi, Kenya on Tuesday 20 May 2014 at 12.00 noon and at any adjournment thereof.

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

……………………………………….2014

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
Kenya

FOLD 3

INSERT FLAP INSIDE