KAKUZI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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COUNTRY OF INCORPORATION

The Company is incorporated in Kenya under the Companies Act.

DIRECTORS

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

Mr. K W Tarplee* Chairman
Mr. G H Mclean*
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 Seventh Annual General Meeting of the Members of the Company will be held at Nairobi Serena Hotel, Nairobi on Tuesday, 26 May 2015 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 Sixth Annual General Meeting held on 20 May 2014.

4. To receive, consider and adopt the Financial Statements for the year ended 31 December 2014 together with the reports of the Chairman, the Directors and the Independent Auditors thereon.

5. To declare a first and final dividend of 75% equivalent to Shs 3.75 per stock unit (2013: Shs 3.75**)** for the Financial Year ended 31 December 2014.

6. To re-elect Messrs Christopher John Ames and Graham Harold Mclean, the Directors retiring by rotation in accordance with Article 117 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

7. To approve the Directors' remuneration as shown in the Financial Statements for the year ended 31 December 2014.

8. To note that Messrs PricewaterhouseCoopers continue in office as Auditors of the Company in accordance with the provisions 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

24 March 2015

Note:

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

RESULTS

The profit before income tax was **Kshs 232.8** million which was similar to the 2013 level (Kshs 239.3 million). The net gain from biological assets within the above figure was Kshs 79.3 million being lower than 2013 (Kshs 96.3 million). The latter figure has no effect on our cash position which remained strong. The earning per stock unit reduced from Kshs 8.42 to Kshs 8.17 (3%). Avocados were the significant contributor to profits mitigating the downward trend on return on tea for 2014. Other operational units produced a positive contribution to cash.

OPERATIONS

The first half of the year was relatively dry in both Nandi Hills and Makuyu. However, this improved in Nandi Hills during the second half of the year but Makuyu remained relatively dry. Strategic dam levels which support the horticultural operations were at 51% capacity at the year end. Avocado production was up by almost 40% with our own estate and outgrowers showing an encouraging improvement over 2013 levels. Selling price in both Euros and Kshs terms were down overall from last year. Market demand was reasonable but at times we were competing with high exports from both Peru and South Africa which dampened prices. Logistics continue to be problematic. During peak production periods our cold storage facilities reached close to capacity before trucks arrived for collection and prompt shipping continues to be a challenge. We now have 414 hectares of avocado planted. The improvement in outgrowers throughput was encouraging and we continue to give emphasis to this area concentrating on quality, collection and fair returns. On tea, although production was up by 7.5% at 1,730 tonnes, market prices were very poor due to a high supply situation in Kenya. We barely broke even on this operation and there were months when sales returns were below our cost of production. We are now starting to see small yields on our macadamia plantation which now stands at 698 Hectares. We had our own nuts cracked by an outside party but dealt with our own marketing. This resulted in a small profit accruing. On our forestry operation as mentioned in my half year report, we continue with clearing areas of sub optimum stands. Operating profit was thus down but continued to give a small but useful return. We now have 1,512 hectares planted to commercial forestry, at Makuyu, of which some 480 hectares can be considered to be sub optimum stands. This together with indigenous plantations so necessary for the conservation of our water resources gives us cover of 2,025Has or 16.5% of our land covered to Forestry which is ahead of Government guidelines of 10% of forest cover. Our cattle herd remain at over 4,000 heads. We are confident that this level can be sustained given more intensive land management, even with the new arable project. Again a positive contribution to cash flow was made. Our fresh pineapple and those from the Joint Project showed similar returns to last year. Our arable project did not progress as planned during the year mainly due to delays in receiving heavy machinery necessary for preparing the black cotton soil. Some 500 hectares are cleared and 350 hectares ripped in preparation for ploughing at the year end.

DEVELOPMENT

We will continue with our Macadamia plantings up to 1,006 hectares over the next 3 years and with the encouraging signs we are now getting from our existing plantations, we plan to start work on our cracking facility in 2015 for completion to receive the 2016 crop. This will be a major Capital Expenditure project. An increase in avocado development is planned over coming years and strong emphasis will continue to be placed on encouraging smallholder production yields. We expect to have cleared and ploughed 900 hectares of land during the coming year on our arable development and planted 700 hectares. At this stage malting barley is considered to be the most suitable crop. We continue with the acceleration of our Corporate Social Responsibility initiatives and during the year received an International Award from the E U African Chamber of Commerce for work to improve food security through the Kitchen Garden concept. Kakuzi also won the prestigious Global Gap 2014 Award for work on water conservation. This was presented in Abu Dhabi. As mentioned in previous reports our philosophy is to continue to invest in long term agricultural projects.

STAFF & DIRECTORS

As is expected in Agriculture, we continue to have to manage to the best of our ability within the uncertainties of the weather and market forces. Staff have worked hard in this respect. We have also had to manage the transition of our Managing Director. Graham Mclean left us for a well-deserved Board level position within the Parent Company and Chris Flowers has managed the transition with energy and professionalism. It is appropriate to thank Graham for his positive contribution made to the continuing development of Kakuzi. We also tragically lost a senior level Manager, Paul Epsom, at the start of the year and the transition to take on his role effectively has not been easy. My fellow Directors continue with a high level of Board professionalism.

DIVIDEND

We continue to have a strong cash flow and balance sheet and with profits similar to levels of last year, the Directors have recommended a dividend of Shs 3.75 per stock unit.

PROSPECTS

We have experienced very dry conditions in both Nandi and Makuyu since the start of this year but the rains are at last showing signs of breaking which will be a relief particularly in Makuyu where dam levels are very low and cattle pastures poor. Although the avocado crop was good in 2014 this was an "on year" and we do not expect similar levels for 2015. Tea prices have improved due to the shortage of supply but the lower crop negates to some extent the better prices as regards profitability.

The Union Agreements both in Nandi and Makuyu are still to be agreed. There are positive signs for the future with lower fuel prices coupled with overall inflation being brought under control which we hope will translate into lower operational costs. However, the markets to which we sell our main products overseas are still somewhat in economic turmoil. This, together with the important factors of weather trends, which are showing significant swings and, at present, the significant weakness of the Euro make it impossible to predict our returns for 2015.

K W TARPLEE
CHAIRMAN

24 March 2015

In accordance with section 157 of the Kenya Companies Act, the directors submit their report together with the audited financial statements for the year ended 31 December 2014, 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 160,205,000 (2013: Shs 165,028,000) has been added to retained earnings. The directors recommend the approval of a first and final dividend of Shs 3.75 (2013: Shs 3.75) per stock unit.

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

ANNUAL GENERAL MEETING

The Eighty Seventh Annual General Meeting of the company will be held in the Ballroom, Nairobi Serena Hotel, Nairobi, on Tuesday 26 May 2015 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 directorsôinterests in the share capital of the company are listed below: -

	At 31 December 2014		At 31 December 2013	
	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 Companyœs Articles of Association, Messrs Christopher John Ames and Graham Harold Mclean retire at this meeting by rotation and, being eligible, offer themselves for re-election.

AUDITOR

The Companyœs 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

24 March 2015

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 Group and of the Company as at the end of the financial year and of the Groupφs income statement of comprehensive income. It 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; and
(iii) Making accounting estimates and judgments 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 Company at 31 December 2014 and of the Groupφs and Companyφs financial performance and cash flows for the period 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 the next twelve months from the date of this statement.

Approved by the board of directors on 24 March 2015 and signed on its behalf by:

K R Shah
Director

C J Flowers
Director

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. Six are non-executive directors, of which three are considered independent. The remaining two 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	**C J Flowers**
24 March 2015	24 March 2015

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF KAKUZI LIMITED

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kakuzi Limited (the Company) and its subsidiaries (together, the Group), as set out on pages 11 to 56. These financial statements comprise the consolidated statement of financial position at 31 December 2014 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 2014 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 2014 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 K Muchiru M Mugasa F Muriu P Ngahu A Njeru R Njoroge B Okundi K Saiti R Shah

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.

Certified Public Accountants
Nairobi

24 March 2015

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2014 Shs'000	2013 Shs'000
Sales	5	1,689,917	1,384,375
Gains arising from changes in fair value less costs to sell of biological assets	6	79,313	96,317
		1,769,230	1,480,692
Cost of production		(1,132,563)	(972,421)
Gross profit		636,667	508,271
Other income	7	6,402	8,451
Distribution costs		(487,376)	(355,387)
Operating profit		155,693	161,335
Finance income	8	84,791	77,971
Finance cost	8	(7,685)	-
Profit before income tax		232,799	239,306
Income tax expense	11	(72,594)	(74,278)
Profit for the year		160,205	165,028
Other comprehensive income			
Items that are not classified to profit and loss:			
Remeasurement of post employment benefit obligations (net of tax)	11	(6,005)	11,275
Total comprehensive income		154,200	176,303
Earnings per share (Shs):			
Basic and diluted earnings per stock unit	12	8.17	8.42

The notes on pages 17 to 56 are an integral part of these financial statements

Consolidated statement of financial position

	Notes	31 December 2014 Shs'000	31 December 2013 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		3,981	9,986
Retained earnings		2,809,247	2,722,542
Proposed dividend	12	73,500	73,500
Total equity		2,984,728	2,904,028
Non current liabilities			
Deferred income tax	15	637,220	623,204
Post employment benefit obligations	16	58,085	43,130
		695,305	666,334
Total equity and non current liabilities		3,680,033	3,570,362
Non current assets			
Property, plant and equipment	17	559,528	544,697
Biological assets	6	2,028,499	1,905,821
Prepaid operating lease rentals	18	4,399	4,404
Financial assets held to maturity	20	61,538	76,923
Non current receivables	22	22,405	15,043
		2,676,369	2,546,888
Current assets			
Inventories	21	62,122	77,365
Receivables and prepayments	22	129,888	173,147
Cash and bank balances	24	973,690	904,758
Financial assets held to maturity	20	15,385	15,385
		1,181,085	1,170,655
Current liabilities			
Payables and accrued expenses	23	150,147	129,610
Current income tax		16,519	7,805
Post employment benefit obligations	16	10,755	9,766
		177,421	147,181
Net current assets		1,003,664	1,023,474
		3,680,033	3,570,362

The notes on pages 17 to 56 are an integral part of these financial statements

The financial statements on pages 11 to 56 were approved for issue by the board of directors on 24 March 2015 and signed on its behalf by:

K R Shah
Director

C J Flowers
Director

Company statement of financial position

	Notes	31 December 2014 Shs'000	31 December 2013 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		3,981	9,986
Retained earnings		2,805,106	2,718,401
Proposed dividend	12	73,500	73,500
Total equity		2,980,587	2,899,887
Non current liabilities			
Deferred income tax	15	637,220	623,204
Post employment benefit obligations	16	58,085	43,130
		695,305	666,334
Total equity and non current liabilities		3,675,892	3,566,221
Non current assets			
Property, plant and equipment	17	559,528	544,697
Biological assets	6	2,028,499	1,905,821
Prepaid operating lease rentals	18	4,399	4,404
Investment in subsidiaries	19	4,295	4,295
Financial assets held to maturity	20	61,538	76,923
Non current receivables	22	22,405	15,043
		2,680,664	2,551,183
Current assets			
Inventories	21	62,122	77,365
Receivables and prepayments	22	129,888	173,147
Cash and bank balances	24	973,690	904,758
Financial assets held to maturity	20	15,385	15,385
		1,181,085	1,170,655
Current liabilities			
Payables and accrued expenses	23	158,530	137,993
Current income tax		16,572	7,858
Post employment benefit obligations	16	10,755	9,766
		185,857	155,617
Net current assets		995,228	1,015,038
		3,675,892	3,566,221

The notes on pages 17 to 56 are an integral part of these financial statements

The financial statements on pages 11 to 56 were approved for issue by the board of directors on 24 March 2015 and signed on its behalf by:

K R Shah
Director

C J Flowers
Director

Consolidated 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 2014					
At start of year	98,000	9,986	2,722,542	73,500	2,904,028
Total comprehensive income for the year:					
Profit for the year	-	-	160,205	-	160,205
Other comprehensive income:					
Remeasurement of post employment benefit obligations (net of tax) (Note 11)	-	(6,005)	-	-	(6,005)
	-	(6,005)	160,205	-	154,200
Transactions with owners:					
Dividends to equity owners of the company:					
- Final for 2013	-	-	-	(73,500)	(73,500)
- Proposed for 2014	-	-	(73,500)	73,500	-
	-	-	(73,500)	-	(73,500)
At end of year	98,000	3,981	2,809,247	73,500	2,984,728
Year ended 31 December 2013					
At start of year	98,000	(1,289)	2,631,014	73,500	2,801,225
Total comprehensive income for the year:					
Profit for the year	-	-	165,028	-	165,028
Other comprehensive income:					
Remeasurement of post employment benefit obligations (net of tax) (Note 11)	-	11,275	-	-	11,275
Total	-	11,275	165,028	-	176,303
Transactions with owners:					
Dividends to equity owners of the company:					
- Final for 2012	-	-	-	(73,500)	(73,500)
- Proposed for 2013	-	-	(73,500)	73,500	-
	-	-	(73,500)	-	(73,500)
At end of year	98,000	9,986	2,722,542	73,500	2,904,028

The notes on pages 17 to 56 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 2014					
At start of year	98,000	9,986	2,718,401	73,500	2,899,887
Total comprehensive income for the year:					
Profit for the year	-	-	160,205	-	160,205
Other comprehensive income:					
Remeasurement of post employment benefit obligations (net of tax) (Note 11)	-	(6,005)	-	-	(6,005)
	-	(6,005)	160,205	-	154,200
Transactions with owners:					
Dividends:					
- Final for 2013	-	-	-	(73,500)	(73,500)
- Proposed for 2014	-	-	(73,500)	73,500	-
	-	-	(73,500)	-	(73,500)
At end of year	98,000	3,981	2,805,106	73,500	2,980,587
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:					
Remeasurement of post employment benefit obligations (net of tax) (Note 11)	-	11,275	-	-	11,275
	-	11,275	165,028	-	176,303
Transactions with owners:					
Dividends:					
- Final for 2012	-	-	-	(73,500)	(73,500)
- Proposed for 2013	-	-	(73,500)	73,500	-
	-	-	(73,500)	-	(73,500)
At end of year	98,000	9,986	2,718,401	73,500	2,899,887

The notes on pages 17 to 56 are an integral part of these financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 December 2014 Shs'000	2013 Shs'000
Operating activities			
Cash generated from operations	25	455,261	411,132
Interest received	8	84,791	77,043
Income tax paid		(47,290)	(29,703)
Net cash from operating activities		492,762	458,472
Investing activities			
Purchase of property, plant and equipment	17	(63,818)	(38,401)
Purchase of biological assets and development	6	(307,321)	(249,444)
Purchase of held to maturity investments	20	-	(100,000)
Proceeds from disposal of property, plant and equipment		5,424	2,399
Repayment of financial assets held to maturity	20	15,385	7,692
Net cash used in investing activities		(350,330)	(377,754)
Financing activities			
Dividend paid	12	(73,500)	(73,500)
Net cash used in financing activities		(73,500)	(73,500)
Increase in cash and cash equivalents		68,932	7,218
Movement in cash and cash equivalents			
At start of year		904,758	897,540
Increase		68,932	7,218
At end of year	24	973,690	904,758

The notes on pages 17 to 56 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 or loss by the statement of comprehensive income, in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied 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 have been prepared in accordance 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 the Directors to exercise 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 are the significant new and amended standards that have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

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 (cash generating units) which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have an impact on the Group financial statements.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

Amendment to IAS 39, "Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to "over-the-counter" derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant effect on the Group financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The amendment did not have a significant effect on the Group financial statements.

(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 after 1 January 2014, 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, except the following set out below:

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through statement of comprehensive income with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through income statement of comprehensive income. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact on the Group financial statements.

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15 to the Group financial statements.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

Amendment to IAS 41, 'Agriculture', and IAS 16, Property, plant and equipment. The amendments change the financial reporting for bearer plants, such as tea bushes, avocado plantations, fruit trees, and flower bushes. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Previously, bearer plants were not defined and bearer plants related to agricultural activity were included within the scope of IAS 41. Bearer plants are used solely to grow produce. The only significant future economic benefits from bearer plants arise from selling the agricultural produce that they create.

Bearer plants meet the definition of property, plant and equipment in IAS 16 and their operation is similar to that of manufacturing. Accordingly, the amendments require bearer plants to be accounted for as property, plant and equipment and included within the scope of IAS 16, instead of IAS 41.

Biological assets that meet the definition of bearer plants will be measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. Bearer plants are measured at accumulated costs until maturity similar to the accounting for self-constructed items of property, plant and equipment. The produce growing on bearer plants will remain within the scope of IAS 41 and are measured at fair value less costs to sell with changes recognised in the income statement of comprehensive income as the produce grows.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

Existing IFRS preparers who measure bearer plants at fair value less cost to sell are permitted to use fair value as deemed cost for these assets upon adoption of the amendments.

The Company is still assessing the impact of the amendments to the Group financial statements.

(b) Consolidation of subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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 are recognised upon delivery of products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
ii. Interest income is recognised using the effective interest method
iii. 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 income 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 income statement within 'cost of production' during the financial period in which they are incurred.

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

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

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

The assetsô residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 assetõs carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assetõs fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

(g) Biological assets

Biological assets comprise tea, avocado, pineapple, macadamia, timber and livestock.

Biological assets are measured on initial recognition and at each reporting 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 is 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 ócost of productionô under cost of production in the period in which they are incurred.

(h) Operating 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 ócost of productionô on a straight-line basis over the period of the lease.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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.

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 ócost of productionô

(k) Payables

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

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

(l) Share capital

Stock units are classified as equity.

(m) Cash and cash equivalents

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates such designation at every reporting date:

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so classifying eliminates or significantly reduces a measurement inconsistency. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets. During the year, the Group did not hold any financial assets in this category.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting date. These are classified as non-current assets.

(iii) Financial assets held-to-maturity

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Financial assets available-for-sale

Financial assets available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit and loss account within other losses/(gains) in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Financial assets (continued)

(iv) Financial assets available-for-sale (continued)

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the balance sheet date. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the profit and loss account.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. During the year, the Group did not hold any financial assets in this category.

(p) Employee benefits

(i) Post employment benefits obligations

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 reporting 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.

Remeasurement of post employment benefit obligations arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

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

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

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

Notes (continued)

2 Summary of significant accounting policies (continued)

(q) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income 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.

(i) Current income tax

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.

(ii) Deferred income tax

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 income statement of comprehensive income. 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.

(r) 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 reporting date.

(s) 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.

Notes (continued)

3 Critical accounting estimates and judgements

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

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

(a) Critical accounting estimates and assumptions

(i) Biological assets

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

4 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity 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 2014, if the Shilling was weaker/stronger by 5% (2013: 5%) against the US dollar with all other variables held constant, the consolidated post tax profit would have been Shs 4,855,231 (2013: Sh112,561) higher/lower mainly as a result of US dollar deposits and trade receivables.

At 31 December 2014 if the Shilling was weaker/stronger by 5% (2013: 5%) against the Euro with all other variables held constant, the consolidated post tax profit would have been Shs 4,941,650 higher/lower (2013: Sh493,730) mainly as a result of Euro deposits.

(ii) Price risk

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) 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 2014, an increase/decrease of 5% (2013: 5%) would have resulted in a decrease/increase in post tax profit of Shs Nil (2013: 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% (2013: 5%) would have resulted in an increase/decrease in post tax profit of Shs 6,653,648 (2013: Shs 5,140,279).

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 2014 is the carrying value of the financial assets in the statement of financial position.

Collateral is held only for staff loans amounting to Shs 24,425,771 (2013: Shs 20,492,420) included in other receivables. The Group does not grade the credit quality of receivables. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

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

	2014 Shs'000	2013 Shs'000
Past due but not impaired:		
by up to 30 days	-	-
by 31 to 60 days	1,234	1,963
by 61 to 90 days	58	161
over 90 days	2,221	865
Total past due but not impaired	3,513	2,989
Individually 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 reporting 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 2014:				
- Payables and accrued expenses	145,403	-	-	-
- Current income tax	16,519			
At 31 December 2013:				
- Payables and accrued expenses	129,610	-	-	-
- Current income tax	7,805			

	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 2014:				
- Payables and accrued expenses	153,787	-	-	-
- Current income tax	16,572			
At 31 December 2013:				
- Payables and accrued expenses	137,993	-	-	-
- Current income tax	7,858			

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 13 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 ñall other segmentsòas they individually fall below the threshold of 10% of Group sales.

Segment assets consist primarily of property, plant and equipment, biological assets, inventories, receivables and prepayments. Unallocated assets are property, plant and equipment, and inventories relating to Main Office and Engineering. 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 2014 and 31 December 2013 is as follows:

	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	232,533	250,918	1,127,412	862,772	157,815	158,121	172,157	112,564	1,689,917	1,384,375
Comprising										
Major external customers sales	232,533	250,918	1,103,437	837,163	-	-	34,418	-	1,370,388	1,088,081
All other external customers sales	-	-	23,975	25,609	157,815	158,121	137,739	112,564	319,529	296,294
	232,533	250,918	1,127,412	862,772	157,815	158,121	172,157	112,564	1,689,917	1,384,375
Geographical analysis										
United Kingdom	-	-	703,671	513,560	-	-	-	-	703,671	513,560
Continental Europe	-	-	399,766	323,603	-	-	-	-	399,766	323,603
Kenya	232,533	250,918	23,975	25,609	157,815	158,121	137,739	112,564	552,062	547,212
Others	-	-	-	-	-	-	34,418	-	34,418	-
	232,533	250,918	1,127,412	862,772	157,815	158,121	172,157	112,564	1,689,917	1,384,375

Notes (continued)

5. Segmental reporting (continued)

	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	6,891	44,672	736,568	540,053	19,864	48,761	27,175	(18,799)	790,498	614,687
Depreciation charge	(3,976)	(3,586)	(15,897)	(14,920)	(2,439)	(2,959)	(22,579)	(23,704)	(44,891)	(45,169)
Changes in fair value of biological assets	10,000	3,500	8,409	919	(27,073)	38,066	87,977	53,832	79,313	96,317
Gross profit	12,915	44,586	729,080	526,052	(9,648)	83,868	92,573	11,329	824,920	665,835
Distribution costs	-	-	(484,829)	(355,387)	-	-	(2,547)	-	(487,376)	(355,387)
Segment profit	12,915	44,586	244,251	170,665	(9,648)	83,868	90,026	11,329	337,544	310,448
Other unallocated income and expenses										
Other income	2,713	2,646	-	-	-	-	3,689	5,805	6,402	8,451
Interest income	-	-	-	-	-	-	77,106	77,971	77,106	77,971
Admin expenditure (under COP)	-	-	-	-	-	-	(188,253)	(157,564)	(188,253)	(157,564)
Profit/(Loss) before income tax	15,628	47,232	244,251	170,665	(9,648)	83,868	(17,432)	(62,459)	232,799	239,306
Income tax expense	(4,873)	(14,660)	(76,165)	(52,973)	3,009	(26,032)	5,435	19,387	(72,594)	(74,278)
Profit/(Loss) for the year	10,755	32,572	168,086	117,692	(6,639)	57,836	(11,997)	(43,072)	160,205	165,028
Assets (all located in Kenya)										
Segment assets	823,996	802,618	925,778	885,455	518,134	557,307	840,954	588,578	3,108,862	2,833,958
Unallocated assets									748,592	883,585
									3,857,454	3,717,543
Liabilities										
Segment liabilities	30,817	17,470	31,191	24,687	-	-	-	-	62,008	42,157
Unallocated liabilities									810,718	771,358
									872,726	813,515
Additions										
Property, plant and equipment	-	2,987	26,208	12,065	6,757	2,259	30,853	21,090	63,818	38,401
Biological assets	-	-	182	3,955	15,852	9,493	78,592	68,665	94,626	82,113
	-	2,987	26,390	16,020	22,609	11,752	109,445	89,755	158,444	120,514

Notes (continued)

6 Biological assets – Group and Company

Changes in carrying amounts of biological assets comprise:

	Livestock Shs'000	Plantation Shs'000	Total Shs'000
Year ended 31 December 2014			
At start of year	116,646	1,789,175	1,905,821
Increase due to purchases and development	12,526	294,795	307,321
Gains arising from changes in fair value less costs to sell	32,081	47,232	79,313
Decrease due to harvest and sales	(45,328)	(218,628)	(263,956)
At end of year	115,925	1,912,574	2,028,499
Year ended 31 December 2013			
At start of year	111,172	1,645,956	1,757,128
Increase due to purchases and development	7,839	241,605	249,444
Gains arising from changes in fair value less costs to sell	36,779	59,538	96,317
Decrease due to harvest and sales	(39,144)	(157,924)	(197,068)
At end of year	116,646	1,789,175	1,905,821

Notes (continued)

6 Biological assets – Group and Company (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 – Group and Company (continued)

The following table presents Groupõs biological assets that are measured at fair value:

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Year ended 31 December 2014				
Livestock	-	115,925	-	115,925
Avocado	-	-	699,404	699,404
Tea	-	235,000	-	235,000
Forestry	-	454,249	-	454,249
Macadamia	-	-	460,921	460,921
Pineapple	-	63,000	-	63,000
	-	868,174	1,160,325	2,028,499
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

There were no transfers between any levels during the year.

Notes (continued)

6 Biological assets – Group and Company (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 2014			
At start of year	689,719	330,686	1,020,405
Increase due to plantings	158,443	91,879	250,322
Gain in income statement of comprehensive income arising from biological transformation	8,409	48,060	56,469
Decrease due to harvest	(157,167)	(9,704)	(166,871)
	699,404	460,921	1,160,325
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 income statement of comprehensive income arising from biological transformation	919	18,294	19,213
Decrease due to harvest	(134,869)	-	(134,869)
	689,719	330,686	1,020,405

Notes (continued)

6 Biological assets – Group and Company (continued)

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

Year ended 31 December 2014

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	699,404	Discounted cash flows	Yield - Kgs per Hectare	22,000	The higher the yield, the higher the value
			Price per carton	ú3.00 ï ú3.58	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 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	689,719	Discounted cash flows	Yield - Kgs per Hectare	22,000	The higher the yield, the higher the value
			Price per carton	ú2.60 ï ú3.52	The higher the market price, the higher the fair value
			Discount rate	17.50%	The higher the discount rate, the lower the fair value

Notes (continued)

6 Biological assets – Group and Company (continued)

The following unobservable inputs at the year end were used to measure the Company's macadamia plantations

Year ended 31 December 2014

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	460,921	Discounted cash flows	Yield Kgs/Ha	1,000	The higher the yield, the higher the value
			Kernel price	$5.40 – $7.65	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 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 – Group and Company (continued)

	2014 Hectares	2013 Hectares
Areas planted with the various crops at the year end:		
Tea	510	510
Timber plantations	1,715	1,656
Avocado	414	414
Pineapple	50	48
Macadamia	698	621

	Head	Head
Cattle numbers at the year end	4,305	4,499

	Metric tonnes	Metric tonnes
Output of agricultural produce during the year:		
Tea (green leaf)	7,517	6,923
Avocado	8,841	6,423
Pineapple	1,552	1,478
Macadamia	165	42

	Cubic metres	Cubic metres
Timber harvested during the year was:	5,502	4,863

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 (2013: Nil). Timber is included under inventory.

Financial risk management strategies

The group is exposed to financial risks arising from changes in the prices of the agricultural products it produces.

There are no futures markets available for the majority of crops grown by the Group. The Groupọs exposure to this risk is mitigated by the geographical spread of its market and regular review of available market data on sales and production.

The Group monitors closely the returns it achieves from its crops and considers replacing its biological assets when yields decline with age or markets change.

Further financial risk arises from changes in market prices of key cost components. Such costs are closely monitored.

Notes (continued)

6 Biological assets – Group and Company (continued)

	2014 Shs'000	2013 Shs'000
Fair value of the agricultural output after deducting costs to sell:		
Tea (green leaf)	227,607	264,466
Avocado	474,156	345,894
Pineapple	43,125	38,250
Others	256,891	182,169
	1,001,779	830,779

7 Other Income

	2014 Shs'000	2013 Shs'000
Net foreign exchange gain/(loss) other than cash and cash equivalents	132	(1,103)
Gain on disposal of property, plant and equipment	1,328	1,229
Rental Income	3,572	3,322
Sundry	1,370	5,003
	6,402	8,451

8 Finance income and costs

	2014 Shs'000	2013 Shs'000
Interest income on short term bank deposits	84,791	77,043
Net foreign exchange (loss)/gain on cash and cash equivalents	(7,685)	928
	77,106	77,971

Notes (continued)

9 Expenses by nature

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

	2014 Shs'000	2013 Shs'000
Depreciation on property, plant and equipment (Note 17)	44,891	45,169
Repairs and maintenance expenditure on property, plant and equipment	40,809	38,227
Amortisation of prepaid operating lease rentals (Note 18)	5	5
Gain arising from changes in fair value less costs to sell of biological assets (Note 6)	(79,313)	(96,317)
Inventories expensed	545,308	461,759
Employee benefits expense (Note 10)	401,361	361,999
Auditorφs remuneration	5,775	5,775

10 Employee benefits expense

The following items are included within employee benefits expense:

	2014 Shs'000	2013 Shs'000
Salaries and wages	381,808	341,712
Post employment benefits costs:		
Post employment benefit obligations (Note 16)	11,411	12,216
Defined contribution scheme	2,547	2,405
National Social Security Fund	5,595	5,666
	401,361	361,999

11 Income tax expense

	2014 Shs'000	2013 Shs'000
Current income tax	56,004	34,044
Deferred income tax (Note 15):		
- Current year charge	13,981	44,948
- Prior year under provision	35	118
Deferred income tax relating other comprehensive income	2,574	(4,832)
Income tax expense	72,594	74,278

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:

	2014 Shs'000	2013 Shs'000
Profit before income tax	232,799	239,306
Tax calculated at the statutory income tax rate of 30% (2013: 30%)	69,840	71,792
Tax effect of:		
Income not subject to income tax	(56)	(74)
Expenses not deductible for income tax purposes	2,775	2,442
Under provision of deferred income tax in prior years	35	118
Income tax expense	72,594	74,278

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

	2014 Shs'000	2013 Shs'000
Remeasurement of post employment benefit obligations:		
Actuarial (losses)/gains (Note 16)	(8,579)	16,107
Tax - credit/(charge) (Note 15)	2,574	(4,832)
Net (charge)/credit to other comprehensive income	(6,005)	11,275

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 2014 and 31 December 2013.

The company had no potentially dilutive stock units outstanding at 31 December 2014 and 31 December 2013.

	2014	2013
Profit attributable to equity holders of the company (Shs ‘000)	160,205	165,028
Number of stock units in issue (thousands)	19,600	19,600
Basic and diluted earnings per stock unit (Shs)	8.17	8.42

ii) Dividends per stock unit

At the annual general meeting to be held on 26 May 2015, the directors will recommend the payment of a first and final dividend of 75% of par value equivalent to Shs 3.75 per stock unit (2013: Shs 3.75 per stock unit) in respect of the year ended 31 December 2014.

13 Share capital

	Number of stock units (Thousands)	Ordinary shares Shs ‘000
Authorised		
At 1 January 2013, 31 December 2013 and 31 December 2014	20,000	100,000
Issued and converted into stock units		
At 1 January 2013, 31 December 2013 and 31 December 2014	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

	2014 Shs'000	2013 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 2014.

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 – Group and Company

Deferred income tax is calculated using the enacted tax rate of 30% (2013: 30%). The movement on the deferred income tax account is as follows:

	2014 Shs'000	2013 Shs'000
At start of year	623,204	578,138
Charge to income statement	16,590	40,234
Charge to other comprehensive income	(2,574)	4,832
At end of year	637,220	623,204

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

	2014 Shs'000	2013 Shs'000
Deferred income tax assets	(39,184)	(30,978)
Deferred income tax liabilities	676,404	654,182
	637,220	623,204

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 2014 – Group and Company

	Balance 1.1.2014 Shs'000	Charged/ (credit) to SCI Shs'000	Balance 31.12.2014 Shs'000
Property, plant and equipment	117,406	(5,894)	111,512
Biological assets	526,557	38,335	564,892
Provisions for liabilities	(20,782)	(16,255)	(37,037)
Other temporary differences	23	(2,170)	(2,147)
Net deferred income tax liability	623,204	14,016	637,220

Year ended 31 December 2013 – Group and 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	482,283	44,274	526,557
Provisions for liabilities	(24,469)	3,687	(20,782)
Other temporary differences	(289)	312	23
Net deferred income tax liability	578,138	45,066	623,204

Notes (continued)

16 Post employment benefit obligations – Group and Company

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

	2014 Shs'000	2013 Shs'000
Present value of post employment benefit obligations	68,840	52,896
Split as follows:		
Non-current portion	58,085	43,130
Current portion	10,755	9,766

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

	2014 Shs'000	2013 Shs'000
At start of year	52,896	59,661
Net expense recognised statement of comprehensive income	19,990	(3,891)
Benefits paid	(4,046)	(2,874)
At end of year	68,840	52,896

The amounts recognised in the statement of comprehensive income within ćost of productionôfor the year are as follows:

	2014 Shs'000	2013 Shs'000
Current service cost	4,254	4,921
Past service cost	2	-
Interest on obligation	7,155	7,295
Total included in employee benefits expenses (Note 10)	11,411	12,216
Actuarial (loss)/gain recognised in other income statement of comprehensive income (Note 11)	(8,579)	16,107

Notes (continued)

16 Post employment benefit obligations Group and Company (continued)

	31 December 2014			31 December 2013		
	Gratuity (Nandi Hills) Shs'000	Gratuity (Makuyu) Shs'000	Total Shs'000	Gratuity (Nandi Hills) Shs'000	Gratuity (Makuyu) Shs'000	Total Shs'000
At start of year	33,231	19,665	52,896	37,926	21,960	59,886
Current service cost	2,946	1,308	4,254	3,453	1,468	4,921
Interest expense/(income)	4,635	2,520	7,155	4,749	2,546	7,295
Past service cost	2	-	2	-	-	-
	7,583	3,828	11,411	8,202	4,014	12,216
Remeasurements:						
(Gain)/loss from change in assumptions	1,155	754	1,909	(3,992)	(2,629)	(6,621)
Experience (gains)/losses	4,341	2,329	6,670	(8,757)	(729)	(9,486)
	5,496	3,083	8,579	(12,749)	(3,358)	(16,107)
Benefits paid	(737)	(3,309)	(4,046)	(148)	(2,951)	(3,099)
At end of year	45,571	23,267	68,840	33,231	19,665	52,896

Notes (continued)

16 Post employment benefit obligations Group and Company (continued)

The principal actuarial assumptions used are as follows:

	Gratuity (Nandi Hills)		Gratuity (Makuyu)	
	2014	**2013**	**2014**	**2013**
Discount rate (% p.a.)	13.5%	13.5%	13.5%	13.5%
Future salary increases (% p.a.)				
first year	10%	8%	10%	8%
second year	-	10%	-	10%
Thereafter	-	10%	-	10%
Mortality (pre-retirement)	**A 1949 - 1952**	**A 1949 - 1952**	**A 1949 - 1952**	**A 1949 - 1952**
Withdrawals	At rates consistent with similar arrangements	At rates consistent with similar arrangements	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Ill-Health	At rates consistent with similar arrangements	At rates consistent with similar arrangements	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Retirement age	55 years	55 years	55 years	55 years

The sensitivity of the defined obligation to changes in the weighted principal assumptions is:

	Impact on post employment benefit obligation	
	Changes in assumption	**Increase/Decrease in assumption**
Discount rate	by 1%	Shs 4,026,000
Salary growth rate	by 1%	Not material

Notes (continued)

16 Post employment benefit obligations Group and Company (continued)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the post employment benefit obligation to significant actuarial assumptions the same method (present value of the post employment benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Five year summary:	**2014**	**2013**	**2012**	**2011**	**2010**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Present value of post employment benefit obligations ï Group and Company	68,840	52,896	59,661	71,868	70,297
Net expense recognised in the statement of comprehensive income - Group					
- within ócost of productioní	11,411	12,216	23,024	13,373	12,088
- within óother comprehensive income (gain)/loss	8,579	(16,107)	5,074	(5,702)	4,695
Net expense recognised in the statement of comprehensive income ï Company					
- within ócost of productionô	11,411	12,216	14,157	8,637	7,802
- within óother comprehensive income (gain)/loss	8,579	(16,107)	5,074	(3,464)	1,703

Notes (continued)

17 Property, plant and equipment

Group and 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 2014						
Cost						
At start of year	948,872	141,732	150,643	49,347	1,926	1,292,520
Transfers	1,926	-	-	-	(1,926)	-
Additions	8,537	9,691	11,295	9,661	24,634	63,818
Disposals	(13,891)	(164)	(9,697)	(10,754)	-	(34,506)
At end of year	945,444	151,259	152,241	48,254	24,634	1,321,832
Depreciation and impairment						
At start of year	507,015	74,529	121,395	44,884	-	747,823
Charge for the year	19,565	9,552	11,544	4,230	-	44,891
On disposals	(13,380)	(164)	(6,297)	(10,569)	-	(30,410)
At end of year	513,200	83,917	126,642	38,545	-	762,304
Net book amount	432,244	67,342	25,599	9,709	24,634	559,528
Depreciation and impairment at year end comprises:						
Depreciation	437,838	83,359	126,642	38,459	-	686,298
Impairment	75,362	558	-	86	-	76,006
	513,200	83,917	126,642	38,545	-	762,304

Notes (continued)

17 Property, plant and equipment

Group and 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)

18 Prepaid operating lease rentals – Group and Company

	2014 Shs'000	2013 Shs'000
At start of year	4,404	4,409
Amortization charge for the year	(5)	(5)
At end of year	4,399	4,404

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 2014	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 2013	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

Notes (continued)

20 Financial assets held to maturity – Group and Company

Financial assets held to maturity are carried at their amortised cost. The movement in financial assets held to maturity is as follows:

	2014 Shs'000	2013 Shs'000
At start of year	92,308	-
Addition in the year	-	100,000
Redeemed in the year	(15,385)	(7,692)
At end of year	76,923	92,308
Non current portion	61,538	76,923
Current portion	15,385	15,385
	76,923	92,308

21 Inventories – Group and Company

Inventory for sale	-	10,887
Consumables	62,122	66,478
	62,122	77,365

The cost of inventories recognised as an expense and included in cost of production amounted to Shs 545,308,000 (2013: Shs 461,759,000).

22 Receivables and prepayments – Group and Company

Trade receivables	14,299	14,997
Due from related companies (Note 26(v))	69,769	114,018
Other receivables	68,225	59,175
	152,293	188,190
Less non current portion	(22,405)	(15,043)
	129,888	173,147
Non current receivables		
Other receivables	22,405	15,043

Non current receivables are due within five years from reporting date and are secured and interest free. None of the amounts were impaired (2013: Nil).

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

Notes (continued)

23 Payables and accrued expenses

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

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	33,632	54,444	33,632	54,444
Due to related companies (Note 26(v))	-	-	8,383	8,383
Accrued expenses	16,866	23,524	16,866	23,524
Other payables	99,649	51,642	99,649	51,642
	150,147	129,610	158,530	137,993

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

24 Cash and bank balances – Group and Company

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

	2014	2013
	Shs'000	Shs'000
Cash at bank and in hand	21,801	14,758
Short term deposits	951,889	890,000
	973,690	904,758

Notes (continued)

25 Cash generated from operations

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

	2014 Shs'000	2013 Shs'000
Profit before income tax	232,799	239,306
Adjustments for:		
Interest income (Note 8)	(84,791)	(77,043)
Depreciation (Note 17)	44,891	45,169
Amortisation of prepaid operating lease rentals (Note 18)	5	5
Profit on sale of property, plant and equipment	(1,328)	(1,229)
Gains arising from changes in fair value less estimated point-sale costs of biological assets (Note 6)	(79,313)	(96,317)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 6)	263,956	197,068
Changes in working capital		
- inventories	15,243	(11,937)
- receivables and prepayment	35,897	106,370
- payables and accrued expenses	20,537	398
- post employment benefit obligations	7,365	9,342
Cash generated from operations	455,261	411,132

Notes (continued)

26 Related party transactions – Group and Company

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:

	2014 Shs'000	2013 Shs'000
i) Sale of goods to:		
Eastern Produce Kenya Limited	226,753	250,273
	226,753	250,273
ii) Purchase of goods and services from:		
Linton Park Plc	58,241	56,733
Robertson Bois Dickson Anderson Limited	13,459	4,818
Eastern Produce Kenya Limited	70,740	62,702
	142,440	124,253
iii) Key management compensation		
Salaries and other short-term employment benefits	35,659	31,005
Post employment benefits	446	317
	36,105	31,322
iv) Directors' remuneration		
Fees for services as a director	1,500	1,500
Other emoluments (included in key management compensation above)	195	148
	1,695	1,648

Notes (continued)

26 Related party transactions – Group and Company (continued)

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

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related Companies				
Eastern Produce Kenya Limited	69,769	113,987	69,769	113,987
Robertson Bois Dickson Anderson Limited	-	31	-	31
	69,769	114,018	69,769	114,018
Due to related Companies				
Estate Services Limited	-	-	2,570	2,570
Kaguru Limited	-	-	5,813	5,813
	-	-	8,383	8,383

27 Commitments – Group and Company

Capital commitments

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

	2014	2013
	Shs'000	Shs'000
Property, plant and equipment	1,462	4,515

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Kakuzi Limited

Five year record

	2014 Shs'000	2013 Shs'000	2012 Shs'000	2011 Shs'000	2010 Shs'000
Turnover	1,689,917	1,384,375	2,043,332	2,376,862	2,113,774
Profit before income tax	232,799	239,306	567,806	920,093	558,629
Income tax	(72,594)	(74,278)	(159,150)	(275,696)	(169,963)
Profit after income tax	160,205	165,028	408,656	644,397	388,666
Non controlling interest	-	-	(29,299)	(94,461)	(75,292)
Profit attributable to the members of Kakuzi Limited	160,205	165,028	379,357	549,936	313,374
Dividends: -					
Proposed final dividend - for the year	73,500	73,500	73,500	73,500	49,000
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves and non controlling interest	2,882,747	2,806,028	2,703,225	2,658,765	2,112,504
Total equity	2,980,747	2,904,028	2,801,225	2,756,795	2,210,504
Basic earnings per stock unit (Shs)	8.17	8.42	19.35	28.06	15.99
Dividends per stock unit (Shs)	3.75	3.75	3.75	3.75	2.50
Dividend cover	2.18	2.25	5.16	7.48	6.40
Total equity per stock unit (Shs)	152.08	148.16	142.92	140.65	112.78

All amounts are stated in Kenya shillings thousands (shs000) except where otherwise indicated.

MAJOR STOCKHOLDERS

The 10 major shareholders and their holdings as at 31 December 2014 were:

Stockholder name	Number of stock units	%
1. Bordure Limited*	5,107,920	26.06
2. John Kibunga Kimani	4,898,083	24.99
3. Lintak Investments Limited*	4,828,714	24.64
4. CFC Stanbic Nominees Ltd ï A/C NR1030624	594,975	3.04
5. Standard Chartered Nominees ï A/C 9532	315,334	1,61
6. G H Kluge & Sons Limited	239,118	1.22
7. HBSC Global Custody Nominee (UK) Ltd	200,000	1.02
8. Kenyalogy.com Limited	150,860	0.77
9. Joe Barrage Wanjui	122,004	0.62
10. John Okuna Ogango	104,400	0.53

* 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 2014 was:

Stock units range	Number of stockholders	Number of stock units	%
Less than 500	761	139,772	0.71
501 to 5,000	509	937,408	4.78
5,001 to 10,000	59	454,488	2.32
10,001 to 100,000	61	1,406,090	7.17
100,001 to 1,000,000	8	1,827,524	9.32
Over 1,000,000	3	14,834,717	75.69
	1,401	19,599,999	100.00

Kakuzi Limited

Form of Proxy (Annual General Meeting)

I/We

.é é é é é é é é é é é é é é é é é é é .é é é ..é é é é é é é é é é ...é é é ...é é é é .é ...é é .é é ..,

of é é é é é é é é é é é é é ..é é é é é é é é é é é é é being a member of the above-named Company,

hereby appoint: é ..é é ,

of é é ..é é é é é é é é é é é é é é é é é é ....,or failing him é ,

of é ..., or failing him the duly appointed Chairman of

the meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the

Company to be held on the **26th day of May 2015**, and at any adjournment thereof.

As witness my hand this é é é é é é é é é é é .. day of é é é é é é é é é é é é é é é é é é é ..2015

Signed é

Signed é

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

2. In the case of a member being a limited Company, this form must be completed under its common seal or under the hand of an officer or attorney duly authorized in writing.

3. Proxies must be in the hands of the Company Secretary not less than 48 hours before the time of holding the meeting.

FOLD 2

STAMP

FOLD 1

Kakuzi Limited
P O Box 24
Thika 01000
Kenya

FOLD 3

INSERT FLAP INSIDE