

**KAKUZI LIMITED**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD OF SIX MONTHS TO 30 JUNE 2013**

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**Directors:**

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Mr. G H Mclean\*  
Mr. C J Flowers\* Managing Director (appointed on 28 March 2013)  
Mr. K R Shah  
Mr. N Nganga  
Mr. C J Ames\*  
Mr. D M Ndonge  
Mr. S N Waruhiu  
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## **RESULTS**

See page 2 of the Interim Financial Statements. The profit before tax for the period is Kshs 112 million which is some 3% down on the equivalent position for last year (Kshs 116 million). Profit levels are lower on the tea operation primarily driven by lower prices. However, this negative impact is alleviated to some extent by increased profit levels on the avocados mainly as a result of packing higher volumes of Smallholder Hass avocado.

## **OPERATIONS**

Good weather conditions were experienced on our estates in Nandi and Makuyu during the first quarter of the year. Although the rains dried up rather suddenly towards end of April 2013 we are 49% up on the 10 year average rainfall pattern at the half year stage. It is pleasing to note that our dam levels at Makuyu are satisfactory for the time of year.

Tea production on our Kaboswa Estate is up by 50% compared with last year. Due to the high production levels of Made Tea recorded this year in Kenya, supply has outstripped demand thus reducing the price for our green leaf by some 6%. On Avocado, Smallholder Hass production to 30 June 2013 was 329,186 cartons (to 30<sup>th</sup> June 2012 - 18,734 cartons). Fuerte production through the pack house was down on last year due to declining market demand for this product. Our own Hass crop started during early June. Although the season is far from completed our expectations are for significantly lower volumes compared to last year. There has been adequate uptake of the export crop but prices in Kenya Shilling terms are only similar to last year, a position however which may improve through the relative weakness of the Kenya shilling against the Euro. Logistics, and in particular timely shipping of the product to Europe, remains a major challenge. Our fresh pineapple, cattle and forestry operations all gave a small but profitable return. The Joint Project with Del Monte Kenya continues to progress in line with expectations. Macadamia development continues and is satisfactory. A small, but higher than expected crop, was harvested this year.

On the ground, management of our operation during the first half of the year has not been without its challenges from an agronomical, logistics and personnel level, in particular, at Makuyu. Thankfully the General Elections passed peacefully and the transition to the devolved Government structure has progressed smoothly to date.

## **PROSPECTS**

As often repeated, in our business, predicting the future is difficult. We have a high interest rate economy with to date a relatively strong currency. Demand continues for our export crops but downward pricing pressure is unprecedented due to supply competition trends particularly in Europe. The company remains fully committed to its current development phase with strong cash reserves which your Directors believe are necessary to continue to realise the potential of Kakuzi Limited.

## **INTERIM DIVIDEND**

The Directors do not recommend an interim dividend for the year.

**K W Tarplee**  
**CHAIRMAN**

23 August 2013

## Consolidated statement of comprehensive income

	Notes	6 Months to 30 June 2013 Shs'000	6 Months to 30 June 2012 Shs'000
<b>Continuing Operations</b>			
<b>Sales</b>	3	428,988	336,109
Gains arising from changes in fair value less cost to sell of biological assets	10	21,015	18,025
		450,003	354,134
Cost of production		(323,261)	(264,068)
<b>Gross profit</b>	3	126,742	90,066
Other income	4	6,445	4,042
Distribution costs	3	(60,264)	(31,836)
<b>Operating profit</b>		72,923	62,272
Finance income	5	39,949	54,274
<b>Profit before income tax</b>		112,872	116,546
Income tax expense	6	(35,700)	(45,303)
Profit for the period from continuing operations		77,172	71,243
Profit for the period from discontinued operations	11	-	32,147
<b>Profit for the period</b>		77,172	103,390
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		77,172	103,390
<b>Profit for the period attributable to:</b>			
Equity holders of the company:			
Profit for the period from continuing operations		77,172	71,243
Profit for the period from discontinued operations		-	16,235
Profit for the period attributable to equity holders of the company		77,172	87,478
Non-controlling interest: Profit for the period from discontinued operations		-	15,912
		77,172	103,390
<b>Total comprehensive income attributable to:</b>			
Equity holders of the company:			
Profit for the period from continuing operations		77,172	71,243
Profit for the period from discontinued operations		-	16,235
Profit for the period attributable to equity holders of the company		77,172	87,478
Non-controlling interest: Profit for the period from discontinued operations		-	15,912
		77,172	103,390
<b>Earnings per share attributable to equity holders of the company:</b>			
		<b>Shs</b>	<b>Shs</b>
Basic and diluted earnings per stock unit – continued operations		3.94	3.63
Basic and diluted earnings per stock unit – discontinued operations		-	0.83
	7	3.94	4.46

The notes on pages 9 to 16 are an integral part of these interim financial statements.

## Consolidated statement of financial position

	Notes	30 June 2013 Shs'000	30 June 2012 Shs'000	Audited 31 December 2012 Shs'000
<b>EQUITY</b>				
Share capital		98,000	98,000	98,000
Other reserves		(1,289)	2,413	(1,289)
Retained earnings		2,708,186	2,412,635	2,631,014
Proposed dividends		-	-	73,500
<b>Attributable to company's equity holders</b>		<u>2,804,897</u>	<u>2,513,048</u>	<u>2,801,225</u>
Non-controlling interest		-	193,880	-
<b>Total equity</b>		<u>2,804,897</u>	<u>2,706,928</u>	<u>2,801,225</u>
<b>Non-current liabilities</b>				
Deferred income tax		601,664	560,037	578,138
Retirement benefit obligations		47,179	41,529	46,314
		<u>648,843</u>	<u>601,566</u>	<u>624,452</u>
		<u>3,453,740</u>	<u>3,308,494</u>	<u>3,425,677</u>
<b>REPRESENTED BY</b>				
<b>Non-current assets</b>				
Property, plant and equipment	9	539,120	539,476	552,635
Biological assets	10	1,863,063	1,752,396	1,757,128
Prepaid operating lease rentals		4,404	4,409	4,409
Non-current receivables		16,226	18,988	20,055
		<u>2,422,813</u>	<u>2,315,269</u>	<u>2,334,227</u>
<b>Current assets</b>				
Inventories		169,696	124,008	65,428
Receivables and prepayments		179,418	139,709	274,505
Cash and cash equivalents	12	859,697	526,403	897,540
		<u>1,208,811</u>	<u>790,120</u>	<u>1,237,473</u>
Assets classified as held for sale	11	-	675,303	-
		<u>1,208,811</u>	<u>1,465,423</u>	<u>1,237,473</u>
<b>Current liabilities</b>				
Payables and accrued expenses		154,683	155,223	129,212
Current income tax payable		6,236	23,698	3,464
Post-employment benefit obligations		16,965	9,962	13,347
		<u>177,884</u>	<u>188,883</u>	<u>146,023</u>
Liabilities classified as held for sale	11	-	283,315	-
		<u>177,884</u>	<u>472,198</u>	<u>146,023</u>
<b>Net current assets</b>		<u>1,030,927</u>	<u>993,225</u>	<u>1,091,450</u>
		<u>3,453,740</u>	<u>3,308,494</u>	<u>3,425,677</u>

The notes on pages 9 to 16 are an integral part of these interim financial statements.

## Company statement of financial position

	Notes	30 June 2013 Shs'000	30 June 2012 Shs'000	Audited 31 December 2012 Shs'000
<b>EQUITY</b>				
Share capital		98,000	98,000	98,000
Other reserves		(1,289)	2,263	(1,289)
Retained earnings		2,704,045	2,322,613	2,626,873
Proposed dividends		-	-	73,500
<b>Attributable to company's equity holders</b>		<u>2,800,756</u>	<u>2,422,876</u>	<u>2,797,084</u>
<b>Non-current liabilities</b>				
Deferred income tax		601,664	560,037	578,138
Retirement benefit obligations		47,179	41,529	46,314
		<u>648,843</u>	<u>601,566</u>	<u>624,452</u>
		<u>3,449,599</u>	<u>3,024,442</u>	<u>3,421,536</u>
<b>REPRESENTED BY</b>				
<b>Non-current assets</b>				
Property, plant and equipment	9	539,120	539,476	552,635
Biological assets	10	1,863,063	1,752,396	1,757,128
Prepaid operating lease rentals		4,404	4,409	4,409
Investments in subsidiaries		4,295	115,536	4,295
Non-current receivables		16,226	18,988	20,055
		<u>2,427,108</u>	<u>2,430,805</u>	<u>2,338,522</u>
<b>Current assets</b>				
Inventories		169,696	124,008	65,428
Receivables and prepayments		179,418	139,709	274,505
Cash and cash equivalents	12	859,697	526,403	897,540
		<u>1,208,811</u>	<u>790,120</u>	<u>1,237,473</u>
<b>Current liabilities</b>				
Payables and accrued expenses		163,066	162,770	137,595
Current income tax payable		6,289	23,751	3,517
Retirement benefit obligations		16,965	9,962	13,347
		<u>186,320</u>	<u>196,483</u>	<u>154,459</u>
<b>Net current assets</b>		<u>1,022,491</u>	<u>593,637</u>	<u>1,083,014</u>
		<u>3,449,599</u>	<u>3,024,442</u>	<u>3,421,536</u>

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## Consolidated statement of changes in equity

### Attributable to company's equity holders

	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
<b>Period ended 30 June 2013</b>					
At start of period	98,000	(1,289)	2,631,014	73,500	2,801,225
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	77,172	-	77,172
Other comprehensive income	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>77,172</u>	<u>-</u>	<u>77,172</u>
<b>Transactions with owners:</b>					
Dividend paid to non-controlling interest	-	-	-	-	-
Dividends:					
- Final for 2012	-	-	-	(73,500)	(73,500)
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,500)</u>	<u>(73,500)</u>
At end of period	<u>98,000</u>	<u>(1,289)</u>	<u>2,708,186</u>	<u>-</u>	<u>2,804,897</u>

The notes on pages 9 to 16 are an integral part of these interim financial statements.

**Consolidated statement of changes in equity (continued)**

**Attributable to company's equity holders**

	<b>Share capital Shs'000</b>	<b>Other reserves Shs'000</b>	<b>Retained earnings Shs'000</b>	<b>Proposed dividend Shs'000</b>	<b>Total Shs'000</b>	<b>Non- controlling interest Shs'000</b>	<b>Total equity Shs'000</b>
<b>Period ended 30 June 2012</b>							
At start of period	98,000	2,413	2,325,157	73,500	2,499,070	257,695	2,756,765
<b>Total comprehensive income for the period:</b>							
Profit for the period	-	-	87,478	-	87,478	15,912	103,390
Other comprehensive income	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>87,478</b>	<b>-</b>	<b>87,478</b>	<b>15,912</b>	<b>103,390</b>
<b>Transaction with owners:</b>							
Dividend paid to non-controlling interest	-	-	-	-	-	(79,727)	(79,727)
Dividends:							
- Final for 2011	-	-	-	(73,500)	(73,500)	-	(73,500)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,500)</b>	<b>(73,500)</b>	<b>(79,727)</b>	<b>(153,227)</b>
At end of period	<u>98,000</u>	<u>2,413</u>	<u>2,412,635</u>	<u>-</u>	<u>2,513,048</u>	<u>193,880</u>	<u>2,706,928</u>

The notes on pages 9 to 16 are an integral part of these interim 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
<b>Period ended 30 June 2013</b>					
At start of period	98,000	(1,289)	2,626,873	73,500	2,797,084
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	77,172	-	77,172
Other comprehensive income	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>77,172</u>	<u>-</u>	<u>77,172</u>
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2012	-	-	-	(73,500)	(73,500)
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,500)</u>	<u>(73,500)</u>
At end of period	<u>98,000</u>	<u>(1,289)</u>	<u>2,704,045</u>	<u>-</u>	<u>2,800,756</u>
<b>Period ended 30 June 2012</b>					
At start of period	98,000	2,263	2,170,032	73,500	2,343,795
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	152,581	-	152,581
Other comprehensive income	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>152,581</u>	<u>-</u>	<u>152,581</u>
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2011	-	-	-	(73,500)	(73,500)
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,500)</u>	<u>(73,500)</u>
At end of period	<u>98,000</u>	<u>2,263</u>	<u>2,322,613</u>	<u>-</u>	<u>2,422,876</u>

The notes on pages 9 to 16 are an integral part of these interim financial statements.



## Consolidated statement of cash flows

	Notes	6 months to 30 June 2013 Shs'000	6 months to 30 June 2012 Shs'000
<b>Operating activities</b>			
Cash generated/(outflow) from operations	14	142,254	(22,232)
Cash generated from continuing operations:			
Interest received		39,038	51,590
Income tax paid		(9,400)	(58,422)
Cash generated from discontinued operations		-	12,475
Net cash generated/(outflow) from operating activities		171,892	(16,589)
<b>Investing activities</b>			
Investing activities from continuing operations:			
Purchase of property, plant and equipment	9	(10,866)	(29,093)
Purchase of biological assets and development	10	(126,929)	(119,833)
Proceeds from disposal of property, plant and equipment		1,560	1,523
Investing activities from discontinued operations		-	761
Net cash used in investing activities		(136,235)	(146,642)
<b>Financing activities</b>			
Financing activities from continuing operations:			
Dividend paid to company's shareholders		(73,500)	(73,500)
Financing activities from discontinued operations:			
Dividend paid to non-controlling interest		-	(79,727)
Net cash used in financing activities		(73,500)	(153,227)
<b>Decrease in cash and cash equivalents</b>		<b>(37,843)</b>	<b>(316,458)</b>
<b>Movement in cash and cash equivalents</b>			
At start of period		897,540	897,332
Decrease		(37,843)	(316,458)
At end of period	12	859,697	580,874
Included in cash and equivalents per the balance sheet		859,697	526,403
Included in the assets of the disposal group		-	54,471
		859,697	580,874

The notes on pages 9 to 16 are an integral part of these interim 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.

### 2. BASIS OF PREPARATION

a) The interim financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The interim financial statements are presented in the functional currency, Kenya Shillings (Shs), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the carrying of biological assets and agricultural produce at fair values less costs to sell.

The preparation of interim financial statements in conformity with IFRS requires the use of estimates and assumptions. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b) The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 unless otherwise stated.

c) Costs that occur unevenly during the financial year are anticipated or deferred in the interim only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

d) Income tax expense is recognised based on the annual income tax rate expected for the full financial year. The annual tax rate used for 2013 is 30% (2012 was 30%).

e) These unaudited interim financial statements should be read in conjunction with the 2012 annual financial statements.

f) Where necessary, comparative figures have been adjusted to conform to the presentation of the current year.

### 3. SEGMENTAL REPORTING

Directors have determined the operating segments based on the reports reviewed by the Executive Directors to make strategic decisions.

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

Segmental assets consist primarily of property, plant and equipment, biological assets, inventories, receivables and prepayments. Unallocated assets are property, plant and equipment, inventories relating to Main Office and Engineering and tax recoverable. Segmental liabilities consist primarily of borrowings, payables and accrued expenses. Unallocated liabilities are taxes, borrowings and non-current liabilities.

Notes (continued)

3. SEGMENTAL REPORTING (continued)

The segment information for the reportable segments for the six month period ended 30 June 2013 and 30 June 2012 is as follows:

	2013 Tea Shs'000	2012 Shs'000	2013 Avocados Shs'000	2012 Shs'000	2013 Forestry Shs'000	2012 Shs'000	2013 All other segments Shs'000	2012 Shs'000	2013 Consolidated Shs'000	2012 Shs'000
<b>Sales – continuing operations</b>										
Sales to external customers	132,732	107,641	148,542	77,593	72,761	69,432	74,953	81,443	428,988	336,109
<b>Sales – discontinued operations</b>										
Sales to external customers	-	286,220	-	-	-	-	-	1,036	-	287,256
<b>Comprising – continuing operations</b>										
Major external customers sales	132,732	95,973	142,682	75,534	-	-	-	-	142,682	75,534
All other external customers sales	-	11,668	5,860	2,059	72,761	69,432	74,953	81,443	286,306	260,575
	132,732	107,641	148,542	77,593	72,761	69,432	74,953	81,443	428,988	336,109
<b>Comprising – discontinued operations</b>										
Major external customers sales	-	219,957	-	-	-	-	-	-	-	219,957
All other external customers sales	-	66,263	-	-	-	-	-	1,036	-	67,299
	-	286,220	-	-	-	-	-	1,036	-	287,256
<b>Geographical analysis – continuing operations</b>										
Continental Europe	-	-	142,682	75,534	-	-	-	-	142,682	75,534
Kenya	132,732	107,641	5,860	2,059	72,761	69,432	74,953	81,443	286,306	260,575
	132,732	107,641	148,542	77,593	72,761	69,432	74,953	81,443	428,988	336,109
<b>Geographical analysis – discontinued operations</b>										
United Kingdom	-	70,773	-	-	-	-	-	-	-	70,773
Continental Europe	-	53,890	-	-	-	-	-	-	-	53,890
Kenya	-	54,776	-	-	-	-	-	1,036	-	55,812
Others	-	106,781	-	-	-	-	-	-	-	106,781
	-	286,220	-	-	-	-	-	1,036	-	287,256

Notes (continued)

3. SEGMENTAL REPORTING (continued)

	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Tea		Avocados		Forestry		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Profit/(loss)</b>										
Gross profit before depreciation and fair value changes in biological assets	19,956	18,809	101,382	49,470	12,789	24,963	(4,019)	5,866	130,108	99,108
Depreciation charge	(2,580)	(2,402)	(7,704)	(8,873)	(1,489)	(2,593)	(12,608)	(13,199)	(24,381)	(27,067)
Changes in fair value of biological assets	-	-	(79)	(2,161)	-	-	21,094	20,186	21,015	18,025
<b>Gross profit</b>	<u>17,376</u>	<u>16,407</u>	<u>93,599</u>	<u>38,436</u>	<u>11,300</u>	<u>22,370</u>	<u>4,467</u>	<u>12,853</u>	<u>126,742</u>	<u>90,066</u>
Distribution costs	-	-	(60,264)	(31,836)	-	-	-	-	(60,264)	(31,836)
Segment profit	<u>17,376</u>	<u>16,407</u>	<u>33,335</u>	<u>6,600</u>	<u>11,300</u>	<u>22,370</u>	<u>4,467</u>	<u>12,853</u>	<u>66,478</u>	<u>58,230</u>
Other unallocated income and expenses										
Other income	1,855	3,061	-	-	-	-	4,590	981	6,445	4,042
Finance income	-	-	-	-	-	-	39,949	54,274	39,949	54,274
Profit before income tax	<u>19,231</u>	<u>19,468</u>	<u>33,335</u>	<u>6,600</u>	<u>11,300</u>	<u>22,370</u>	<u>49,006</u>	<u>68,108</u>	<u>112,872</u>	<u>116,546</u>
Income tax expense	(6,083)	(7,567)	(10,543)	(2,566)	(3,574)	(8,696)	(15,500)	(26,474)	(35,700)	(45,303)
Profit for the period from continuing operations	<u>13,148</u>	<u>11,901</u>	<u>22,792</u>	<u>4,034</u>	<u>7,726</u>	<u>13,674</u>	<u>33,506</u>	<u>41,634</u>	<u>77,172</u>	<u>71,243</u>
Profit for the period from discontinued operations	-	21,739	-	-	-	-	-	10,408	-	32,147
Profit for the period	<u>13,148</u>	<u>33,640</u>	<u>22,792</u>	<u>4,034</u>	<u>7,726</u>	<u>13,674</u>	<u>33,506</u>	<u>52,042</u>	<u>77,172</u>	<u>103,390</u>
<b>Assets (all located in Kenya)</b>										
Segment assets	889,535	614,958	1,072,133	1,073,893	488,524	452,778	494,768	656,780	2,944,960	2,798,409
Assets classified as held for sale	-	675,303	-	-	-	-	-	-	-	675,303
	<u>889,535</u>	<u>1,290,261</u>	<u>1,072,133</u>	<u>1,073,893</u>	<u>488,524</u>	<u>452,778</u>	<u>494,768</u>	<u>656,780</u>	<u>2,944,960</u>	<u>3,473,712</u>
Unallocated assets									686,664	306,980
									<u>3,631,624</u>	<u>3,780,692</u>
<b>Liabilities</b>										
Segment liabilities	40,479	46,088	28,803	23,946	3,574	5,083	2,881	1,854	75,737	76,971
Liabilities classified as held for sale	-	283,315	-	-	-	-	-	-	-	283,315
	<u>40,479</u>	<u>329,403</u>	<u>28,803</u>	<u>23,946</u>	<u>3,574</u>	<u>5,083</u>	<u>2,881</u>	<u>1,854</u>	<u>75,737</u>	<u>360,286</u>
Unallocated liabilities									149,326	153,441
									<u>225,063</u>	<u>513,727</u>
<b>Additions – continuing operations</b>										
Property, plant and equipment	499	768	1,467	3,617	1,702	151	7,198	24,557	10,866	29,093
Biological assets	-	-	1,484	75,131	1,263	504	36,565	44,198	39,312	119,833
	<u>499</u>	<u>768</u>	<u>2,951</u>	<u>78,748</u>	<u>2,965</u>	<u>655</u>	<u>43,763</u>	<u>68,755</u>	<u>50,178</u>	<u>148,926</u>
<b>Additions – discontinued operations</b>										
Property, plant and equipment	-	1,897	-	-	-	-	-	-	-	1,897
Biological assets	-	416	-	-	-	-	-	-	-	416
	-	<u>2,313</u>	-	-	-	-	-	-	-	<u>2,313</u>

**Notes (continued)**

	<b>6 months to 30 June 2013 Shs'000</b>	<b>6 months to 30 June 2012 Shs'000</b>
<b>4. OTHER INCOME</b>		
Net foreign exchange gain/(loss), other than on cash and cash equivalents	39	(179)
Gain on disposal of property, plant and equipment	1,560	1,166
Rental income	1,598	2,535
Sundry	3,248	520
	<u>6,445</u>	<u>4,042</u>
<b>5. FINANCE INCOME</b>		
Interest income on short term bank deposits	39,038	51,590
Net foreign exchange gain on cash and cash equivalents	911	2,684
	<u>39,949</u>	<u>54,274</u>
<b>6. INCOME TAX</b>		
Current income tax	12,172	33,012
Deferred income tax	23,528	12,291
	<u>35,700</u>	<u>45,303</u>

**7. BASIC AND DILUTED EARNINGS PER STOCK UNIT**

Basic and diluted earnings per stock unit are calculated on the profit attributable to the members of Kakuzi Limited and on the 19,599,999 stock units in issue at 30 June 2013 and 30 June 2012.

The company had no potentially dilutive stock units outstanding at 30 June 2013 or 30 June 2012.

**8. DIVIDEND**

The directors do not recommend the payment of an interim dividend.

**9. CAPITAL EXPENDITURE**

	<b>Group</b>		<b>Company</b>	
	<b>6 months to 30 June 2013 Shs'000</b>	<b>6 months to 30 June 2012 Shs'000</b>	<b>6 months to 30 June 2013 Shs'000</b>	<b>6 months to 30 June 2012 Shs'000</b>
<b>Property, plant and equipment</b>				
Opening net book amount	552,635	630,427	552,635	537,807
Net book value of assets classified as held for sale	-	(92,620)	-	-
Capital expenditure - additions	10,866	29,093	10,866	29,093
Disposals	-	(357)	-	(357)
Depreciation	(24,381)	(27,067)	(24,381)	(27,067)
Closing net book amount	<u>539,120</u>	<u>539,476</u>	<u>539,120</u>	<u>539,476</u>

Notes (continued)

10. BIOLOGICAL ASSETS

Changes in carrying amounts of biological assets comprise :-

	Group			Company		
	Livestock Shs'000	Permanent plantings Shs'000	Total Shs'000	Livestock Shs'000	Permanent plantings Shs'000	Total Shs'000
<b>Period ended 30 June 2013</b>						
At 1 January 2012	111,172	1,645,956	1,757,128	111,172	1,645,956	1,757,128
Increase due to purchases and development	4,071	122,859	126,930	4,071	122,859	126,930
Gains/(loss) arising from changes in fair value less costs to sell	21,094	(79)	21,015	21,094	(79)	21,015
Decrease due to harvest and sales	(28,311)	(13,699)	(42,010)	(28,311)	(13,699)	(42,010)
At 30 June 2012	<u>108,026</u>	<u>1,755,037</u>	<u>1,863,063</u>	<u>108,026</u>	<u>1,755,037</u>	<u>1,863,063</u>
<b>Period ended 30 June 2012</b>						
At 1 January 2012	113,988	1,863,460	1,977,448	113,988	1,533,459	1,647,447
Asset classified as held for sale	-	(330,001)	(330,001)	-	-	-
Increase due to purchases and development	905	118,928	119,833	905	118,928	119,833
Gains/(loss) arising from changes in fair value less costs to sell	20,186	(2,161)	18,025	20,186	(2,161)	18,025
Decrease due to harvest and sales	(19,950)	(12,959)	(32,909)	(19,950)	(12,959)	(32,909)
At 30 June 2012	<u>115,129</u>	<u>1,637,267</u>	<u>1,752,396</u>	<u>115,129</u>	<u>1,637,267</u>	<u>1,752,396</u>

**Notes (continued)**

**10. BIOLOGICAL ASSETS (continued)**

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

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

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

- projected lifespan of 25 years
- climatic condition will remain the same
- the market price will remain constant based on recent market prices
- no account has been taken of inflation

The fair value of macadamia plantation is estimated to approximate cost of the investment because insignificant biological transformation has taken place.

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

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

**11. DISCONTINUED OPERATIONS**

In 2012, Kakuzi Ltd disposed of the remaining (50.5%) shareholding in Siret Tea Company Ltd (the discontinued operations in accordance with the Framework Agreement entered into in 2007 with Sireet Outgrowers Empowerment and Produce Company Ltd (formerly EPK Outgrowers Empowerment Project Company Ltd).

**12. CASH AND CASH EQUIVALENTS**

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

	<b>6 months to 30 June 2013 Shs'000</b>	<b>6 months to 30 June 2012 Shs'000</b>
<b>Continuing operations</b>		
Cash at bank and in hand	39,697	33,403
Short term deposits	820,000	493,000
	<u>859,697</u>	<u>526,403</u>
<b>Discontinued operations</b>		
Cash at bank and in hand	-	14,471
Short term deposits	-	40,000
	<u>-</u>	<u>54,471</u>
<b>Total</b>	<u><u>859,697</u></u>	<u><u>580,874</u></u>

Notes (continued)

13. CAPITAL COMMITMENTS

	<b>6 months to 30 June 2013 Shs'000</b>	<b>6 months to 30 June 2012 Shs'000</b>
<b>Capital expenditure contracted for at the statement of financial position date but not recognized in the consolidated interim financial statements is as follows:-</b>		
<b>Continuing operations</b>		
Property, plant and equipment	<u>461</u>	<u>5,156</u>
<b>Discontinued operations</b>		
Property, plant and equipment	<u>-</u>	<u>8,899</u>



**Notes (continued)**

**14. CASH GENERATED FROM OPERATIONS – GROUP**

Reconciliation of profit before income tax to cash generated/(outflow) from operations:

	Notes	6 months to 30 June 2013 Shs'000	6 months to 30 June 2012 Shs'000
<b>Continuing operations</b>			
Profit before income tax		112,872	116,546
Adjustments for:			
Interest income	5	(39,038)	(51,590)
Depreciation	9	24,381	27,067
Amortisation of prepaid operating lease rentals		5	5
Profit on sale of property, plant and equipment		(1,560)	(1,166)
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets	10	(21,015)	(18,025)
Decrease in fair value of biological assets due to sales and harvest and disposal	10	42,010	32,909
Changes in working capital			
- inventories		(104,270)	(66,164)
- receivables and prepayments		98,916	(81,079)
- payables and accrued expenses		25,471	78,585
- retirement benefit obligations		4,482	6,121
Cash generated from continuing operations		<u>142,254</u>	<u>43,209</u>
<b>Discontinued operations</b>			
Profit before income tax		-	48,069
Adjustments for:			
Interest income		-	(17,383)
Depreciation		-	6,274
Amortisation of prepaid operating lease rentals		-	5
Profit on sale of property, plant and equipment		-	(2,699)
Changes in working capital			
- inventories		-	(23,255)
- receivables and prepayments		-	(6,928)
- payables and accrued expenses		-	(74,828)
- retirement benefit obligations		-	5,304
Cash outflow from discontinued operations		<u>-</u>	<u>(65,441)</u>
Cash generated/(outflow) from operations		<u>142,254</u>	<u>(22,232)</u>