KAKUZI PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Who we are

Kakuzi PLC was incorporated in 1927 and is a listed Kenyan agricultural company trading on both the Nairobi Securities Exchange and London Stock Exchange and engaging in the cultivation, processing and marketing of avocados, blueberries, macadamia, tea, livestock and commercial forestry.

Table of Contents

Company Information

COUNTRY OF INCORPORATION

The Company is incorporated in Kenya under the Kenyan Companies Act, 2015.

DIRECTORS

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


Mr. N Ng'ang'a
Chairman


Mr. C J Flowers*
Managing Director


Mr. G H Mclean*


Mr. K R Shah


Mr. D M Ndonye


Mr. S N Waruhiu


Mr. A N Njoroge


Dr. J K Kimani

* 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
IKM Place
Tower B, 1st Floor
5th Ngong Avenue
P O Box 8484, NAIROBI 00100
Telephone (020) 7608216
Email: info@candrgroup.co.ke

SUBSIDIARY COMPANIES

Estates Services Limited	(100% holding)
Kaguru EPZ Limited	(100% holding)

AUDITOR

Deloitte & Touche LLP
Deloitte Place
Waiyaki Way, Muthangari
P O Box 40092
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

KCB Bank Kenya Limited
P O Box 30081
00100 NAIROBI

NCBA Bank Kenya Plc
P O Box 44599
00100 NAIROBI

ORDINARY SHARES

The Company's ordinary shares are listed on the Nairobi Securities Exchange and the London Stock Exchange.

Notice of Annual General Meeting

NOTICE is hereby given that the Ninety Fifth Annual General Meeting of the Members of the Company will be held in the Ballroom at Nairobi Serena Hotel, Nairobi on Tuesday, 16th May 2023 at 12.00 Noon for the following purposes:-

1. To read the notice convening the meeting.
2. To table the proxies received and confirm the presence of a quorum.
3. To approve the minutes of the Ninety Fourth Annual General Meeting held on 17th May 2022.
4. To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2022 together with the reports of the Chairman, the Directors and the Independent Auditors thereon.
5. To declare a first and final dividend of Kshs 24.00 per ordinary share (2021: Kshs. 22.00) for the Financial Year ended 31 December 2022.
6. To approve the Directors' Remuneration Report as detailed in the Annual Report for the Financial Year ended 31 December 2022.
7. To re-elect Directors:-
   i) Mr. Ketan Rameshchandra Shah, a Director who retires by rotation in accordance with Article 27 of the Company's Articles of Association and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.
   ii) Mr. Graham Harold Mclean, a Director who retires by rotation in accordance with Article 27 of the Company's Articles of Association and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.
   iii) Ms. Pamella Ager, retires in accordance with Article 26 (5) of the Company's Articles of Association and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers herself for re-election.
8. In accordance with provisions of Section 769 of the Kenyan Companies Act, 2015, the following Directors, being members of the Board Audit & Risk Committee be re-elected to continue to serve as members of the said Committee:-
   a) Mr. Daniel Mutisya Ndonye
   b) Mr. Stephen Njoroge Waruhiu
   c) Mr. Andrew Ndegwa Njoroge
9. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Kenyan Companies Act, 2015 and to authorise the Directors to fix the Auditors' remuneration for the ensuing Financial Year in accordance with the provisions of Section 724 (1) of the Kenyan Companies Act, 2015.
10. 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
1st April 2023

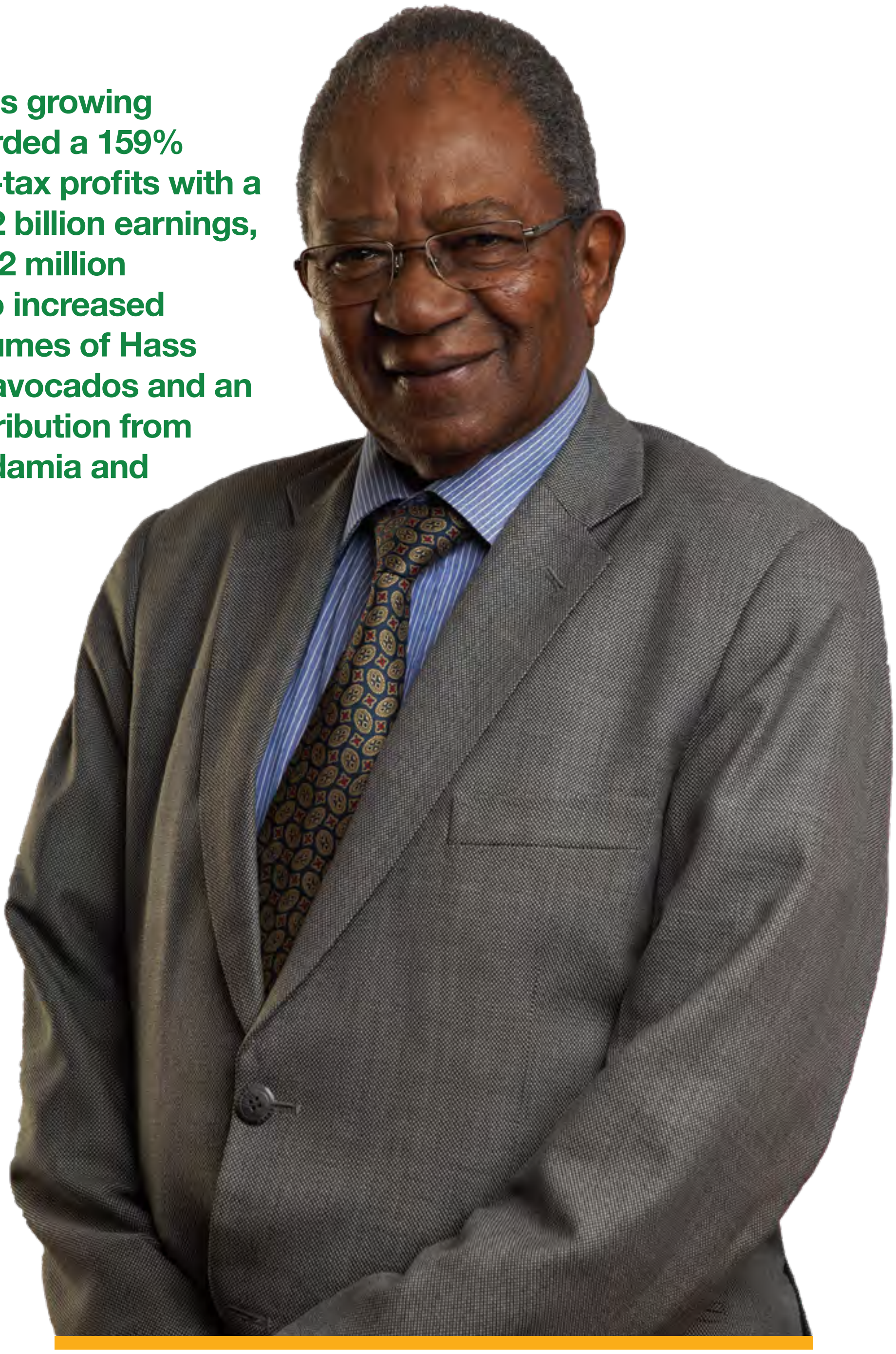
Note: A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the Company.

Chairman's Statement

Growing Together

↑ 159%
increase in
PRE-TAX
PROFITS

Your superfoods growing Company recorded a 159% increase in pre-tax profits with a record Ksh 1.22 billion earnings, up from Ksh 472 million primarily due to increased production volumes of Hass and Pinkerton avocados and an increased contribution from both the macadamia and tea operations.



RECORD EARNINGS
↑ 1.22B
Shs. 472M

RESULTS

Kakuzi, your superfoods growing Company recorded a 159% increase in pre-tax profits with a record Ksh 1.22 billion earnings, up from Ksh 472 million primarily due to increased production volumes of Hass and Pinkerton avocados and an increased contribution from both the macadamia and tea operations.

During the year under review, your Company achieved several milestones that continue to underscore our commitment to deepening shareholder value and returns. As part of our efforts to expand and diversify our markets, I am proud to report to you that in September 2022, Kakuzi became the first commercial exporter of African grown avocados to China with a shipment of nine containers of quality export-grade avocados. Whilst

RESULTS (continued)

the volumes are currently small, the development of this new market is critical to Kakuzi and Kenya. We will continue to engage trade partners in China, and other Far-East countries, to capitalize our geographical advantage against the traditional South American suppliers to the Chinese market.

Our avocado exports grew to 2.8 million cartons from 1.68 million cartons in 2021.

The higher volume was due to an 'ON' avocado season after the 'OFF' year experienced in 2021. However, we should be cautious that whilst management strives to reduce the impact of this bi-annual bearing cycle, it is a feature of avocados that naturally reflects through into the Company's financial performance bi-annually.

Avocado prices during the year reflected a mixed market. The first half of the year was heavily impacted by large supply volumes from Peru into our main European markets. A price recovery in the year's second half saw a return to average annual prices that we consider historically normal.

The performance of our macadamia business was satisfactory. Production increased from 609 tons of total kernel to 870 tons. Sales, however, remained static, and we remain cautious about the international nut markets in 2023. The impact of a prolonged COVID-19 crisis particularly in the important Chinese market and restrictions on international travel throughout the pandemic have contributed to large inventories and a more problematic market than we have seen for many years.

Blueberry operations are still focused on variety trials that continue to return some encouraging results in terms of yield and fruit quality. We hope that by end of 2023, we will be in a better position to understand the potential for this crop as we consider further expansion.

Our value-add range is in its infancy, but sales of macadamia and beef have done well. These will be further expanded as part of our market diversification strategy in 2023, with some exciting developments in the pipeline.

We continue to embed the UN Guiding Principles of Business and Human Rights into our operations. The Independent Human Rights Mechanism has already published two public reports on their process and work undertaken to date. We believe that the work of our Independent Human Rights Advisory Committee and the Independent Human Rights mechanisms, SIKIKA, demonstrate our commitment to transparency and the journey of continuous learning in this critical field which is becoming more and more important to supply chains today.

DIVIDEND

Your Board recommends an increase in the dividend per share to Shs 24.00 compared to Shs 22.00 per share in 2021.

OVERVIEW

Given the complex international markets for superfoods such as avocados and macadamia nuts, the business performed well.

International avocado markets are highly competitive as more supply enters the market in competition with the Kenyan supply window, making consumers able to choose from numerous suppliers from different origins.

Remaining competitive by exporting quality Avocados which are responsibly grown is a crucial part of our value proposition to the market. We recognise that customers in our traditional and emerging markets operate in highly competitive environments. Our role is to provide them with a quality product that discerning customers wish to consume more.

Adhering to and maintaining high levels of sustainability and ethical standards within our production units is what Kakuzi tries to achieve. We have several third-party international accreditations to demonstrate this quality management and production sustainability commitment.

In the year under review, we added to our accreditations with a best practice sustainable water usage certification standard called GLOBALG.A.P. "SPRING"

With Climate change, water and, more importantly, the sustainability of water resources for irrigated agriculture will become a vital issue that farmers worldwide will need to address. We currently store 12 million cubic meters of water in our 19 earth dams and are looking to expand.

Looking forward, the diversification of avocado markets is a crucial driver in 2023 as we work in partnership with Government agencies to create new customers for quality Kenyan avocados.

The macadamia markets have also been complex and we expect 2023 to be sluggish. Consumption levels for tree nuts generally have declined due to the COVID-19 pandemic and inflation, among other economic factors facing consumers in many parts of the world.

AVOCADO EXPORTS GROWTH

from 1.68 Million cartons (2021) to 2.8 Million tons (2022)

MACADAMIA PRODUCTION

Up 870 tons of nut kernel from 609 tons of nut kernel

18%

Salary increments for Unionisable staff

OVERVIEW (continued)

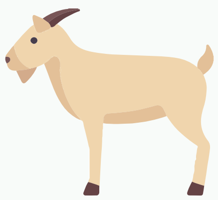
At the same time, production volumes from notably South Africa and Australia have also increased, adding to the level of inventory and applying downward pressure on price. We remain confident that we have a superior quality macadamia nut that can compete favourably.

We are pushing ahead with local product development and delivery of quality macadamia nuts to mitigate the international pricing challenges. We have created and continue to enhance our range of roasted macadamia retail packs with salted, unsalted and honey-coated flavours now available. Beyond the roasted ready-to-eat packs, we will also deliver to the market other products, including macadamia flour and catering packs for the hospitality and confectionery manufacturing market. At the international level, in conjunction with our overseas sales partners, we have been exploring additional opportunities for bulk sales; however, we remain cautious about how quickly this market will recover to pre-pandemic levels.

In the year under review, our domestic markets for quality meat and wood products remained stable. We expect sales of livestock products to grow in volume and profit with the launch of our "Kabuzi" range and additional value add meat products in 2023.

We continue implementing our strategic plan by developing former pineapple production fields into avocado and macadamia production areas. At the current rate, we plan to complete the conversion of former pineapple fields by 2026, significantly placing us in a good position as a leading superfoods producer in sub-Sahara Africa.

Your Board continues to work closely with the management team to explore the swift introduction of a third core superfood crop as part of the Kakuzi strategic growth plans. Blueberries are a strong contender, pending the necessary commercial trials completion, and we remain open to explore other opportunities.



We expect sales of livestock products to grow in volume and profit with the launch of our "Kabuzi" range

STRATEGIC GOALS & DEVELOPMENTS

The Board has recently reviewed the Company's strategic plan and believes that the pillars of crop diversity, market diversification, value addition and the continued focus on Environmental, Social and Governance (ESG) objectives are highly aligned to the business, its shareholders and its key stakeholders.

The Board has tasked the management team to develop additional strategies which can be considered for investment, especially in market expansion, climate action and new developments.

Once the Board has evaluated these, the shareholders and other stakeholders will be updated.

STAFF

I, on behalf of the Board, would like to appreciate the dedication of our staff members.

With our social partners, KPAWU, we once again signed an updated Collective Bargaining Agreement which gave employees an 18% wage award over two years.

LOOKING AHEAD

The agriculture space is a long term business and thus by its very nature predicting our future is an inexact science. Also, we have to recognise that the international markets are facing considerable pressures in our main export crops. Our strategy to increase value addition will insulate us from these external pressures.

The Board remains committed to providing policy guidance and oversight to steer your Company to greater heights while enhancing your return on investment.

NICHOLAS NG'ANG'A

CHAIRMAN

21 March 2023

Corporate Social Investment and Sustainability Report

The Company continues to nurture and foster good relations and partnerships with our internal and external stakeholders through stakeholder engagement and community interaction. The partnerships are made possible through ongoing consultations and collaboration with, among others, employees, trade union officials, community leaders, community liaison officers, farmer organizations, National and County government officials as well as local and international civil society organizations. We are also able to address concerns and implement projects that are community-centered and geared towards meeting the needs of bordering communities.

We are keen to measure our progress through annual ESG reporting. Moreover, our community participation is carried out within the framework of the UN Sustainable Development Goals (SDG). For the most part, we work within the following six SDGs: Good health & Well-being (SDG 3); Quality Education (SDG 4); Gender Equality (SDG 5); Clean water & Sanitation (SDG 6); Decent Work & Economic growth (SDG 8); and Climate Action (SDG 13).

The Community Relations Manager and the Community Liaison Officers are an integral part of our community involvement. The Independent Human Rights Mechanism (SIKIKA 2) provides a critical, additional avenue for free information flow from the community to the company and vice versa, which has strengthened social cohesion and fostered understanding between the two parties.

Some of the significant corporate social investments, we carried out during the year are as follows:

Good health & Well-being (SDG 3)

3 GOOD HEALTH AND WELL-BEING

Our commitment to invest in healthcare is in an effort to improve quality of life and raise the productivity of employees and the community in general. We organized free medical camps in two locations within the farm, Makuyu and Kinyangi Community Centre. Over 550 community members benefited from curative, promotive and preventive services. As part

For the most part, we work within the following six SDGs:

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

8 DECENT WORK AND ECONOMIC GROWTH

13 CLIMATE ACTION

We donated over
3,000
menstrual health products in the period under review.

23
We donated 23 computers to 15 learning institutions

Good health & Well-being (SDG 3) (continued)

of the Breast cancer awareness month in October, we partnered with Muranga South subcounty health authorities at Gikono health center, where 150 women benefitted from breast and cervical cancer screening services. In addition, we supported the Global handwashing day both at the County and sub-County levels.

Our Tabasamu menstrual hygiene program ensured access to menstrual products, education and mentorship for adolescents in schools, reaching over 2,000 learners in 12 learning institutions. We donated over 3,000 menstrual health products in the period under review.

We supported local communities with over 8.9 tonnes of food as part of drought relief efforts. The exercise targeted the elderly, disabled and vulnerable groups identified through the area chiefs and village elders. The initiative benefitted over 1,200 needy households.

Kakuzi supported the Mater HeartRun and sponsored 25 employees who took part in the run. The program enables children from economically disadvantaged backgrounds who have heart conditions to get the needed surgeries.

Quality Education (SDG 4)

4 QUALITY EDUCATION

Education is a powerful agent of change that improves livelihoods, contributes to social stability and drives long-term economic growth. It is also essential to the success of every one of the 17 SDGs. In line with this, the company has consistently supported employment of six supplementary Board of Management teachers in the three schools within the farm, donated classroom furniture in local learning institutions and commenced the renovation of Kinyangi Primary School.

Kakuzi continues to invest in school infrastructure that offers support and comfort during learning. To this end, we donated over 1,500 pieces of classroom furniture to over 90 learning institutions to contribute towards the targeted 100% transition rate in these institutions.

We donated 23 computers to 15 learning institutions such as Mutithi, Gathungururu, Karung'angi, Kirimiri Primary and Secondary Schools among others to facilitate digitizing of their office functions and to support computer literacy education in these institutions.

6 CLEAN WATER AND SANITATION

Clean Water & Sanitation (SDG 6)

Having clean water and sanitation limits exposure to diseases caused by inadequate water supply, poor sanitation and hygiene. In line with this, the Company continues to support programs to ensure clean water and appropriate sanitation facilities are available within schools and the community.

We installed 120,000 litres of rain water harvesting systems in 12 institutions to provide access to clean water for over 4,500 learners. We also facilitated the construction of 53 sanitation facilities in 15 learning institutions to promote good hygiene for over 5,500 learners.

Decent Work & Economic Growth (SDG 8)

8 DECENT WORK AND ECONOMIC GROWTH

Economic empowerment is a vital aspect of our Corporate Social Investment (CSI) program, which aims to boost the capacities of the local communities for economic self-sufficiency through viable initiatives.

The Company donated 575 avocado seedlings to 4 Smallholder Groups (SHGs) with a membership of 125 individuals -- Mwamko Mpya, Muthingi wa Kahuho, Kakuzi Hills bee keepers and Kaseveni SHGs -- and another 150 avocado seedlings to Kimotho and Kihara Primary Schools for their economic benefit and food security. Demonstration on planting and capacity building on post care for the seedlings was also part of the exercise to ensure high quality yield.

Kakuzi invests in boosting the economic abilities of surrounding communities through projects that offer financial benefits and which require minimal skills to start. In line with this, the Company supported construction of charcoal kilns and kiln operation for youths in Kinyangi area as an income generating activity.

We continue to support bee keeping ventures as a way to improve livelihoods and positively impact the environment for neighbouring communities. The Company currently supports 5 beekeeping groups with a membership of over 200 individuals from the local communities. An additional 2 groups were approved for bee keeping training and got a donation of 15 beehives to supplement their income through beekeeping. Monitoring and support is offered to the groups on a quarterly basis as they work towards achieving sustainability.

The Company facilitated construction of a water intake at Athara Swamp to ease access and responsible use of irrigation water from River Mutoho for economic empowerment of over 400 farmers cultivating horticultural crops.

The second phase of the Jiko Kisasa Project was implemented in 2022. It targets 300 households from the neighbouring communities who benefit from double energy saving stoves, bringing the total number of beneficiary households to 600. The installation process was spearheaded by 44 artisans trained in the first and second phases of the project. The new cooking method comes with health benefits, it is also economical and environmentally friendly.

5

The Company currently supports 5 beekeeping groups with a membership of over 200 individuals

400

The Company facilitated construction of a water intake at Athara Swamp to ease access and responsible use of irrigation water from River Mutoho for economic empowerment of over 400 farmers cultivating horticultural crops.

The Company donated 200 indigenous tree seedlings and facilitated a how-to-plant session

Decent Work & Economic Growth (SDG 8) (continued)

The Company constructed 2 bodaboda sheds for Sunset and Mcvast bodaboda communities for a more conducive parking and passenger dropping point.

Kakuzi sponsored 28 employees to take part in the Standard Chartered Marathon and donated 200 assorted tree seedlings. Funds raised were channelled to Future Makers program, an initiative that seeks to tackle inequality by promoting greater economic inclusion in our markets. It enables disadvantaged young people, especially girls and

people with visual impairments, to learn new skills and improve their chances of getting employment or starting their own business.

18

We donated office furniture to 18 local administration offices of the Chiefs and assistant Chiefs in an effort to improve service delivery to the community

Climate Action (SDG 13)

The Company has progressively adopted initiatives that are geared towards environmental conservation as part of our obligation to SDG 13 to combat Climate Change. We have maintained our commitment to practicing afforestation and to the donation of tree seedlings to the community and other stakeholders.

The Company donated 200 indigenous tree seedlings and facilitated a how-to-plant session during the national tree growing restoration campaign launch at Kinyangi Primary School.

Our commitment to this SDG is further demonstrated by the consistent measuring of our carbon footprint through our operations with a view to reducing emissions. We have done this now for the fourth year running.

The World Environment Day was marked on 3rd June 2022 under the theme "Only One Earth, together we can protect it". Kakuzi made various donations in support of this day in Maragua with the aim of raising awareness on the need to live sustainably in harmony with nature.

Roads are at the heart of inclusive development. They improve access to services and economic opportunities. In line with this, the Company continues to invest in community roads. Construction of Kakuzi Primary School to Ithanga Kakuzi Hills Road and Sunset to Ithanga roads was done to enhance mobility of communities living up the hills.

Kakuzi facilitated the repair of a culvert in Thangira area for user safety and as a convenient route for Thangira community.

We donated office furniture to 18 local administration offices of the Chiefs and assistant Chiefs in an effort to improve service delivery to the community and offer comfort and support to the administrative officers.

BY ORDER OF THE BOARD

K R SHAH	**C J FLOWERS**
21 March 2023	21 March 2023

Report of the Directors

The Directors submit their report together with the audited Financial Statements for the year ended 31 December 2022, which disclose the state of affairs of Kakuzi Plc (the "Group and the Company"). The Annual Report and Financial Statements have been prepared in accordance with the Kenyan Companies Act, 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise:

- Growing, packing and selling of avocados
- Growing, cracking and selling of macadamia nuts
- The cultivation and sale of tea green leaf
- Forestry development and sale of forestry products
- Livestock farming, animal feed and sale of beef
- Growing, packing and selling of blueberries

The two subsidiary companies are dormant.

GROUP MISSION AND VISION

The Group's mission is to consistently produce quality products, responsibly, sustainably and ethically. The Group's vision is to be a global leader and the preferred producer and supplier of quality agricultural products.

BUSINESS REVIEW

A review of the business of the Group is incorporated within the Chairman's Statement on pages 6 to 8.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of possible risks and uncertainties that could impact the Group's operations. The Group regularly monitors the risks. The information on the Group's financial risks is disclosed in Note 4 of the Financial Statements. The following risks relating to the Group's principal operations have been identified:

i) Climate Change: level of rainfall affecting crop yields and in extreme cases, crop viability.

ii) Price volatility: changes in market prices impact profitability each season.

iii) Currency fluctuation: profit volatility arising from sales denominated in foreign currency.

iv) Cost of labour: increased cost of production and lower profitability.

RESULTS AND DIVIDEND

The net profit for the year of Shs 845,804,000 **(2021: Shs 319,736,000)** has been added to retained earnings. The Directors recommend the approval of a first and final dividend of Shs 24.00 **(2021: Shs 22.00)** per ordinary share.

The results for the year are set out on page 32 in the attached Financial Statements.

ANNUAL GENERAL MEETING

The Ninety Fifth Annual General Meeting of the Company will be held in the Ballroom at Nairobi Serena Hotel, Nairobi on Tuesday, 16th May 2023 at 12:00 Noon.

DIRECTORS

The Directors who held office during the year and at the date of this report are set out on page 4.

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

	At 31 December 2022		At 31 December 2021	
	Beneficial	Non-Beneficial	Beneficial	Non-beneficial
	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
Mr. G H Mclean	100	-	100	-
Mr. C J Flowers	-	-	-	-
Mr. K R Shah	200	-	200	-
Mr. N Ng'ang'a	1,000	-	1,000	-
Mr. D M Ndonye	-	-	-	-
Mr. S N Waruhiu	-	-	-	-
Mr. A N Njoroge	-	-	-	-
Dr J K Kimani	6,520,433	-	6,338,099	-

DIRECTORS (continued)

Mr. Ketan Rameshchandra Shah, a Director who retires by rotation in accordance with Article 27 of the Company's Articles of Association and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.

Mr. Graham Harold Mclean, a Director who retires by rotation in accordance with Article 27 of the Company's Articles of Association and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.

In accordance with provisions of Section 769 of the Kenyan Companies Act, 2015, the following Directors, being members of the Board Audit & Risk Committee be re-elected to continue to serve as members of the said Committee:-

a) Mr. Daniel Mutisya Ndonye

b) Mr. Stephen Njoroge Waruhiu

c) Mr. Andrew Ndegwa Njoroge

DISCLOSURE OF INFORMATION TO AUDITORS

Each Director confirms that, so far as he is aware at the date of approval of this report, there is no relevant audit information of which the Group's and Company's auditor is unaware and that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's and Company's auditor is aware of that information.

AUDITORS

Deloitte & Touche LLP, having expressed their willingness, continue in office in accordance with the provisions of section 721 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity, and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD

K R SHAH

DIRECTOR

21 March 2023

Statement of Directors' Responsibilities

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of their financial performance for the year then ended. It also requires the Directors to ensure that the Company and its subsidiaries maintain proper accounting records that are sufficient to show and explain the transactions of the Company and its subsidiaries; disclose with reasonable accuracy the financial position of the Group and the Company; and that enables them to prepare Financial Statements of the Group and the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of these Financial Statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

ii. Selecting suitable accounting policies and then apply them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances

In preparing the Financial Statements, the Directors have assessed the Group's and the Company's ability to continue as going concerns and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the Financial Statements. Nothing has come to the attention of the Directors to indicate that the Group and the Company will not remain going concerns for at least the next twelve months from the date of this statement.

The Directors acknowledge that the independent audit of the Financial Statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 21 March 2023 and signed on its behalf by:

K R SHAH

DIRECTOR

C J FLOWERS

DIRECTOR

Statement on Corporate Governance

Overview of the Corporate Governance Framework

The Board is committed to ensuring that the business is run in a professional, transparent, just and equitable manner to protect and enhance shareholder value and satisfy the interests of our stakeholders. The principles and standards adhered to by the Board have been developed with close reference to guidelines on corporate governance issued by the Capital Markets Authority, Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 (the Code) and other global best practices. This statement outlines the Group's approach toward corporate governance policies and practices.

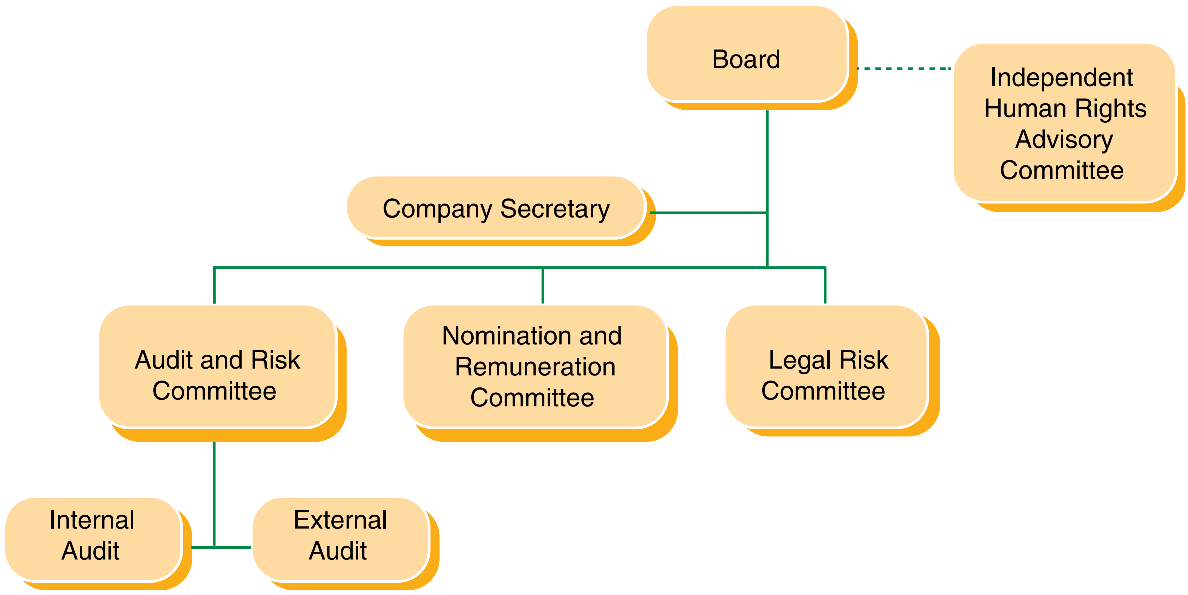
This Statement describes how the Group applies the main principles of the Code. The Group acknowledges and continues to consider the recommendations of the Code carefully and implement as appropriate. In implementing the Code, the Directors have taken account of the Group's size and structure and the fact that there is a controlling shareholder which itself is a listed entity in the United Kingdom, Camellia Plc.

The Board, in order to ensure that the Group is compliant, commissions a Governance Audit to be undertaken by an auditor, accredited by the Institute of Certified Public Secretaries of Kenya, every two years. The last Governance audit was undertaken for the year 2021. The next audit is planned for the year 2023.

This Corporate Governance Statement is current as at 31 December 2022 and has been approved by the Board of Directors.

Governance Framework

The Group operates within a clearly defined governance framework which provides for delegated authority to strategic sub committees with clear lines of responsibility without abdicating the responsibility of the Board. Through the framework, the Board sets out the strategic direction of the Group while entrusting the day-to-day running of the organization to the executive management led by the Managing Director. The Board operates through three committees and one independent advisory committee mandated to review specific areas and assist the Board undertake its duties effectively and efficiently. The structure of the relationships between the Board and Board's sub committees is illustrated below:



Board composition, size and independence

The Group is governed by a Board of Directors each of whom is, with the exception of the Managing Director, elected by the shareholders.

The Board currently comprises of eight Directors, three of whom are considered independent non-executive Directors. Of the remaining Directors, two are executive, and three are non-executive, including a non-executive Chairman. The names of the Directors are listed on page 4 of this Annual Report and their abridged biographies appear on the Group's website, (https://www.kakuzi.co.ke/management).

The Board has documented in their Board Charter the criteria for determining the independence status of the members of the Board of Directors. Two of the three Independent Directors (Mr D M Ndonye and Mr S Waruhiu) attained, in November 2021, 9 years of service as Directors since their appointment which is the maximum term limit for a director to remain independent, as per the Code. Notwithstanding their long term service, given their extensive business experience and not being connected with any

Board composition, size and independence (continued)

Director or substantial shareholder of the Group, the Board is of the opinion that they continue to be independent as the Board reviews the way forward.

The non-executive Directors who are six in total are also independent of management and have separate and independent access to the senior management and the Company Secretary at all times. Day-to-day operation of the businesses of the Group is delegated to the management. They are closely monitored by the Board and are accountable for the performance of the Group as measured against the corporate goals and business targets set by the Board.

At the last Annual General Meeting, the shareholders allowed for increasing the number of Board members by one. The Board is currently in the process of recruiting one more member. The size of the Board has conformed to the applicable legal and regulatory frameworks.

An appropriate liability insurance for Directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

Board Diversity

The Board is well composed in terms of the academic qualifications, technical expertise, experience, industry knowledge and balance of executive, non - executive and independent Directors.

The Board recognises that opportunities exist to consider diversity and gender balance upon future retirement of non-executive Directors as per the governance guidelines and has appointed the Nomination and Remuneration Committee to develop a Board Gender and Diversity policy and set measurable objectives to implement diversity and gender balance on the Board and recommend them to the Board for adoption. Below is a highlight of the Board Diversity;

Director's Name	Occupation	Appointment Date
Mr Nicholas Ng'ang'a – Chairman – Non-Executive Director	Farmer/Businessman	28 November 2002
Mr Christopher Flowers – Managing Director (Executive Director).	Engineer	28 March 2013
Mr Graham Mclean – Non-Executive Director	Agriculturist	01 January 2005
Mr Daniel M Ndonye – **Independent Director**	Accountant	29 November 2012
Mr Stephen Waruhiu – **Independent Director**	Valuer and Estate Agent	29 November 2012
Mr Andrew Ndegwa Njoroge – **Independent Director**	Accountant	2 August 2016
Dr John Kibunga Kimani – Non-Executive Director	Agriculturist	1 November 2020
Mr Ketan Shah – Finance Director (Executive Director)	Accountant	28 August 2007

Board appointment and re-appointment

The Board, with the assistance of the Nomination and Remuneration Committee, regularly assesses the skills, experience, tenure and diversity required collectively for the Board to effectively fulfil its role.

All the Directors, excluding the Managing Director, are subject to retirement by rotation and must seek re-election by shareholders at least once every three years in accordance with the Articles of Association. During the 2022 Annual General Meeting Mr. Stephen Njoroge Waruhiu and Mr. Daniel Mutisya Ndonye offered themselves up for re-election and were re-elected.

All Directors have received an appointment letter setting out the terms of their appointment.

There were no changes in the Board Structure or Committees during the year.

Separation of powers and duties of the Chairman and the Managing Director

The Chairman and the Managing Director have distinct and clearly defined duties and responsibilities set out in writing in the Group's Board Charter. The separation of the functions of the Chairman (a Non-Executive Director) and the Managing Director (Executive Director) supports and ensures an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making. The roles of the Board are separated from that of the management.

The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board decisions. The Managing Director is responsible to the Board and takes responsibility for the effective and efficient running of the Group businesses on a day-to-day basis.

Separation of powers and duties of the Chairman and the Managing Director (continued)

A summary of the key responsibilities of each role can be found below:

Chairman

a) Setting the style and tone of Board discussions and creating the overall conditions for Board and Director effectiveness.
b) Ensuring that the Board as a whole is enabled to play a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives.
c) Ensuring that the development of the Group's businesses and the protection of the reputation of the Group receive sufficient attention from the Board.

Managing Director

a) Directs and controls the work and resources of the Group and ensure the recruitment and retention of the required numbers and types of well-motivated, trained and developed staff to ensure that it achieves its mission and objectives.
b) Prepares and recommends to the Board, a long term strategy and annual business plan and budgets and monitor progress against these plans to ensure that the Group attains its objectives as cost-effectively and efficiently as possible.
c) Provides strategic advice and guidance to the Chairperson and members of the Board, to keep them aware of developments within the industry and ensure that the appropriate policies are developed to meet the Group's mission and objectives and to comply with all relevant statutory and other regulations.
d) Establishes and maintains valid formal and informal links with major customers, relevant government departments and agencies, local authorities, key decision-makers and other stakeholders generally, to exchange information and views and to ensure that the Group is providing the appropriate range and quality of services.
e) Develops and maintains an effective marketing and public relations strategy to promote the products, services and image of the Group on the broader community.
f) Represents the Group in negotiations with customers, suppliers, government departments and other key contacts to secure for it the most effective contract terms.
g) Oversees the preparation of the Annual Report and Accounts of the Group and ensure their approval by the Board.
h) Develops and directs the implementation of policies and procedures to ensure that the Group complies with all statutory regulations.

Company Secretary

The Company Secretary, who is a member of the Institute of Certified Secretaries of Kenya and in good standing, with the assistance of the Finance Director, provides guidance to the Board on its duties and responsibilities and other matters of governance and monitoring and coordinating their completion.

a) The Company Secretary facilitates effective communication between the organization and the shareholders.
b) Ensures that the Board complies with its obligations under the law and the Company articles of association;
c) Provides guidance to the Board on its duties and responsibilities and other matters of governance;
d) Assists the Chairperson of the Board in organizing the Board's activities;
e) Coordinates the governance audit process; and
f) Maintains and updates the register of conflict of interest.

Roles and Functions of the Board

The primary role of the Board is to protect and enhance long-term shareholders' value. It sets the overall strategy for the Group and supervises executive management. It also ensures that good corporate governance policies and practices are implemented within the Group. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Group and its shareholders.

Matters reserved for the Board include;

Strategy

Acquisitions and disposals

Financial reporting and control

Internal controls

Approval of expenditure above specified limits

Approval of transactions and contracts above specified limits

Responsibilities for corporate governance

Board membership and committees

Approval of changes to capital structure

Debt financing

Board Meetings

The Board has in place an annual work plan that sets out the scheduled Board meetings. The Board and its Committees meet regularly in accordance with business requirements. The Board and Board Committee meetings, workshops and meetings with management, were conducted both virtually and physically in 2022.

The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. Four (4) Board meetings were held during the year 2022.

The Chairman, in conjunction with the Finance Director, works closely with the Managing Director to formulate with the annual work plan and an agenda for each meeting. The notice, agenda and detailed Board papers are circulated in advance of the meetings. Directors are entitled to request for additional information where they consider further information is necessary to support informed decision-making.

The Committee meetings are scheduled around the Board meetings and Board agendas, though they also meet as and when they think it is appropriate. Committee papers and other appropriate information are distributed prior to each meeting to allow the Committees to meet its duties.

Directors of the Company play an active role in participating in these meetings through contribution of their professional opinions and their active participation in discussion. The Chairpersons of the Board Committees report to each meeting of the Board on the activities of the Committees since the previous Board meeting. The Board also receives regular reports and presentations from the Managing Director.

Amongst issues deliberated by the Board during the period of review were:

- Updates on the Group's strategic plan
- Managing Director's Report which includes review reports on progress against financial objectives, business developments, as well as investor and external relations, on the environment, performance and updates on the strategic initiatives.
- Share transactions and top shareholders
- Board Committees Reports
- Quarterly Corporate Social Responsibility reports
- Semi Annual Anti-Bribery Report
- 2023 Budget approval
- Training needs review and report
- Operational Grievance Mechanism and report
- Human Rights report
- Public Relations report
- Corporate Governance matters
- ESG Report

The Board also monitors matters arising under the Code of Conduct and the Whistleblower Policy.

Details of the Board and Board Committee meetings held during the Reporting Period and attendances at those meetings are set out below:

2022 BOARD & BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Classification	Designation		Board	Audit and Risk	Nomination and Remuneration	Legal risk	IHRA*
Mr Nicholas Ng'ang'a	Non-Executive	Chairman of the Board	Membership	√				
			Attendance	4/4	2/2			
Mr Christopher Flowers	Executive	Managing Director	Membership	√		√		
			Attendance	4/4	2/2	5/5	3/3	
Mr Graham Mclean	Non-Executive		Membership	√				
			Attendance	4/4	2/2			
Mr Daniel Ndonye	Non-Executive	Chairman of the Audit and Risk Committee	Membership	√	√			
			Attendance	4/4	2/2			
Mr Stephen Waruhiu	Non-Executive	Chairman of the Nomination and Remuneration Committee	Membership	√	√	√	√	
			Attendance	4/4	2/2	5/5	3/3	
Mr Andrew Njoroge	Non-Executive	Chairman of the Legal Risk Committee	Membership	√	√	√	√	√
			Attendance	4/4	2/2	5/5	3/3	4/4

2022 BOARD & BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE (continued)

Director	Classification	Designation		Board	Audit and Risk	Nomination and Remuneration	Legal risk	IHRA*
Dr John K Kimani	Non-Executive		Membership	√				
			Attendance	4/4	2/2			
Mr Ketan Shah	Executive	Finance Director	Membership	√				
			Attendance	4/4	2/2			
Professor Githu Muigai	Independent Advisor	Chairman of the IHRA* Committee	Membership					√
			Attendance					4/4
Grace Madoka	Independent Advisor		Membership					√
			Attendance					4/4
Dr Brenda Achieng	Independent Advisor		Membership					√
			Attendance					4/4
Gina Din Kariuki	Independent Advisor		Membership					√
			Attendance					4/4

✓ Member of the respective committee

- Where a Director has missed a Board or Board Committee meeting, an acceptable apology had been received by the Chairman well in advance of the scheduled meeting.
- The Managing Director, the Finance Director and the non-executive Directors who are not members of Audit and Risk Committee attend the meeting by invitation.
- IHRA – Independent Human Rights Advisory.

Director Access to Management and Independent Advisors

Directors receive operating and financial reports of the Group and have access to senior management at Board and Committee meetings. The Board has the authority to retain, terminate and determine the fees and terms of consultants, legal counsel and other advisors to the Board as the Board may deem appropriate in its discretion.

The Group has employed the expertise of external independent consultants, amongst others, as follows:

- Oxygene as the Public Relations Consultant.
- Triple R Alliance advised on the setting up of the Operational-level Grievance Mechanism (SIKIKA) which is now in place.

Directors' external activities and Conflicts of Interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Group. The conflict of interest requirements is embedded in the Code of Conduct and Ethics policy as well as the Directors' letters of appointment. The Board and Board Committee meetings have a standing agenda item on the declaration of interest, where members declare actual, potential or perceived conflicts of interest. The declared items of interest are part of the minutes and are documented in a conflict of interest register.

The Board is working on operationalizing the Conflict of Interest procedures in place into a formal policy.

Board Policies and Processes

The Board is committed to ensuring that the business is run in a professional, transparent, just and equitable manner to protect and enhance shareholder value and satisfy the interests of other stakeholders.

The Board has established several processes, policies and procedures to guide the Board and Management in the implementation of the roles and responsibilities of the Groups business. A summary of the Board policies and related governance documents include;

Board Charter

This Board Charter recognizes and aims to adopt related best practices and guidance from the provisions of the Code of Corporate Governance Practices for Issuers of securities to the Public, 2015 (the Code), Kenyan Companies Act, 2015, the Company's Memorandum and Articles of Association and any applicable law or regulatory provision. The document is in no way intended to replace or amend the Company's Memorandum and Articles of Association in any way whatsoever.

The purpose of the Board Charter is to promote the highest standards of Corporate Governance and to set out the role, composition and responsibilities of the Board of Directors. The Board Charter serves not only as a reminder of the Board's roles and responsibilities but also as a general statement of intent and expectation as to how the Board discharges its duties and responsibilities. The Board Charter which is on the Group's website. is periodically reviewed to ensure that it remains current.

Code of Conduct & Ethics

The Group has established a Code of Conduct and Ethics that binds both the Directors and employees. The Group takes cognizance of the fact that its operations are closely integrated with the local communities and, because the very nature of agriculture is long-term, it is aware that it can have an impact on the environment. The Group policy ensures that its activities meet and exceed the social, economic and environmental expectations of its stakeholders. (https://www.kakuzi.co.ke/company-code-of-conduct-and-ethics).

The Anti-Bribery Policy is in place to foster an environment that encourages ethical behaviour and compliance, an internal management committee is in place that meets quarterly to monitor this. Their report is tabled in every other Board meeting.

The staff are provided with the code of conduct and ethics upon appointment. Every year the Managing Director conducts a staff training called "Kakuzi who we are", highlighting the values and the mission. Every six months the Anti –Bribery (TABO) report, which also covers gifts/entertainment, is presented to the Board. No unethical issues were reported during the course of the year under review.

Environmental, Social and Governance (ESG) Report

The Company launched its third ESG report at the Nairobi Securities Exchange in December 2022. This report covers the key commitments the Company is making to UN SDG's, the UN Guiding Principles on Business and Human Rights and highlighting the work being undertaken in key Corporate Social Investment areas:

https://www.kakuzi.co.ke/pages/f2cd2b36-26b1-455c-812f-16ae9c139afa/articles/f2cd2b36-26b1-455c-812f-16ae9c139afa.pdf.

Insider Trading

Internal policy and various laws, regulations and guidelines that regulate the Group's businesses prohibit Directors and employees from dealing in the Group's securities when they have price-sensitive information that is not generally available to the market. Information is considered to be "nonpublic" unless it has been publicly disclosed, and adequate time has passed for the securities markets to digest the information. The staff are required to adhere to the Group's Insider trading policy, which is on the Group's website (https://www.kakuzi.co.ke/insider-trading-policy).

In every meeting held in 2022, a list of top 10 shareholders was provided as well as any trades (all buyers and sellers) and transfer transactions. If and when there are any breaches of our insider trading policy the Board notifies the Capital Markets Authority.

Related Party Transactions

The Group recognizes that related party transactions arise where there is a relationship by virtue of shareholding, common shareholding or key management personnel directorship. The Group Related Party Transactions policy, which is on the Group's website, (https://www.kakuzi.co.ke/related-party-transactions-policy), gives guidance on related party transactions, which are carried out using the arm's length principle. All transactions with related parties are disclosed in note 27 to the financial statements.

Whistle blowing policy

The Whistleblowing Policy, which is on the Group's website, (https://www.kakuzi.co.ke/whistle-blowing-policy) sets out the Board of Directors', managements' and staff members' commitment to upholding the highest levels of integrity and observance of the rule of law. The policy applies to all employees of the Group, general public, service providers, customers, Company agents, contractors and any other individuals performing functions in relation to the Group. The Group website provides an email contact (confidential@kakuzi.co.ke) to report any fraud, misconduct or wrongdoing by employees, Company agents or executives of the Group. All cases are investigated in a confidential and timely manner, and the required action taken to ensure feedback is provided as appropriate.

Procurement policy

The Group's Procurement Policy which is on the website (https://www.kakuzi.co.ke/procurement-policy) is to ensure fairness and transparency in the process of procurement and awarding of tenders, as far as possible with the ultimate objectives of procuring the required quantity/quality of goods or service at the most competitive price. The policy gives guidance on the principles and tender procedures. In addition, a Management Tender Committee oversees the award of tenders.

ICT policy

The Group has deployed a number of Information Technology (IT) systems and infrastructures for its various activities and leverages on the systems to achieve its objectives. Appropriate policies are in place to ensure that systems run smoothly and provide the necessary support to the Group. An IT/Security policy administered by the IT Manager is in place. It provides guidelines on proper utilisation and safeguarding of Computer hardware, system, application and proprietary software and communications infrastructure whether wired or wireless as well as provision of adequate protection and confidentiality of all corporate data.

Corporate Social Investment (CSI)

The Group has put in place a CSI policy to guide the CSI committee in carrying out its duties. The Board ensures that funds are allocated annually when the budget is approved.

The Group as part of the community is committed to enhance its community relations by ensuring that it supports, collaborates and co-exists with the community, employees and other stakeholders as a responsible corporate citizen. Focus areas of our community relations program include but are not limited to economic empowerment, good health and wellbeing, quality education, clean water and sanitation, environmental conservation and climate action. The community relations program is conducted through partnerships with various stakeholders and relevant community linkages.

The CSI Committee reports to the board on a quarterly basis detailing the projects and initiatives taken each quarter. A highlight of these is contained in the Corporate Social Investment and Sustainability report on pages 9 to 12, within the Group's ESG report and on the Group's web site.

Operational policies

There are broad operation policies that guide management in executing of the Group's operations in an efficient and socially responsible manner. The policies cover various operational functions including: human resource, financial management, sustainability, environment, safety and health, fire and safety and corporate affairs among others. Some of the key policies which have been updated in line with the amendments of applicable legislations and rules as well as the current market practices are available on the Group's website, www.kakuzi.co.ke/corporate-governance.

Board Committees

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled with relevant expertise. Three Board committees and one independent advisory committee have been established and each of them has its specific duties and authorities set out in its own terms of reference which are reviewed from time to time.

Board members have access to all Board Committee meeting papers. Subsequent to each Board Committee meeting, the minutes are included in the Board papers and presented to the Board by the respective Committee Chairs.

These Committees have terms of reference approved by the Board, indicating their mandate, authority, duties, composition and leadership. The appointment of the members to these Committees draws on the skills and experience of individual Directors.

The Board has constituted its Committees in compliance with the Code. The Committees in place are the Audit & Risk Committee, the Nomination & Remuneration Committee, the Legal Risk Committee and the Independent Human Rights Advisory Committee. In addition to the Board committees, the Group has in place several formally established management committees that deal with particular sets of ongoing issues. These include the Tender Committee, CSI and Training Committee, among others.

Management and external service providers and experts attend by invitation as circumstances dictate. Details of these Committees and Directors' attendance of these committees is provided on pages 19 to 20.

Board Committees (continued)

Committees	Members	Major Functions	Key deliberations during FY2022
Audit and Risk Committee	• Mr. Daniel M Ndonye (Chairperson) • Mr. Stephen Waruhiu • Mr. Andrew Ndegwa All the members of the Audit & Risk Committee have the relevant qualifications and expertise in audit, financial management and accounting.	• to monitor the financial reporting process of the Group • to review the Group's financial control, internal control and risk management systems and arrangements under the Group's whistleblowing policy • to review the effectiveness of internal audit activities carried out by the Group's audit function and senior management • to govern the engagement of external auditor and its performance • to review non-audit services provided by the external auditors.	• review of external auditors 2021 audit findings report • review of financial report for the year ended 31 December 2021 • review of the internal audit reports • review of the risk map update reports • review of the external auditors service plan for 2022 • review of dividend and press announcement of interim and year-end financial results
Nomination and Remuneration Committee	• Mr.Stephen Waruhiu (Chairperson) • Mr. Andrew Ndegwa • Mr. Christopher Flowers	• to review the structure, size and composition (including the skills, knowledge and experience) of the Board • annual review of the term limits and independence of the individual directors. • Board evaluation • induction and continuing professional development • review of the committee's terms of reference • to oversee the Board's succession planning requirements and identify qualified individuals and to make recommendations to the Board on the appointment or re-appointment of directors • to review and recommend to the Board on the Group's policy and structure for remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration	• reviewing the remuneration policy, structure and packages for Directors and senior management • making recommendations to the Board regarding the Directors' fee and other allowances for FY2022 and the remuneration packages of executive directors • Board evaluation facilitation • training needs review for the year 2022 and 2023 • Board Succession and Diversity policies
Legal Risk Committee	• Mr. Andrew Ndegwa (Chairperson) • Mr. Stephen Waruhiu	• to understand the nature of any legal claim or process with Management and appraise the Board on the same • to review any material breaches of policy which may expose the Group to a legal risk and advise on adequacy of the proposed remedial action • to be an integral part of the Group's Operational-level Grievance Mechanisms and act as a link between the OGM panel and the Board • to understand advise the Board on any future legal risk mitigation strategy • to review the Group legal audit and advise the Board on the findings, non-compliances and required action plan to remedy such non-compliance	• oversaw the Group's dispute resolution mechanisms and any resulting claims and legal proceedings and appraised the board on the progress. • ensured implementation of the Operational-Level Grievance Mechanism (OGM) as approved by the Board.

Board Committees (continued)

Committees	Members	Major Functions	Key deliberations during FY2022
Independent Human Rights Advisory Committee	• Professor Githu Muigai (Chairperson) • Grace Madoka • Dr Brenda Achieng • Andrew Ndegwa • Gina Din Kariuki	• identifying Human Rights risks to which the Group is exposed and recommend to the Board measures to mitigate these risks, set goals and evaluate results • reviewing Human rights matters raised with the Group to be handled in accordance with the Group Human Rights policies • Advise the Board on best practices In addition, the committee has access to Lady Justice – Violet Mavisi (Rtd) an Independent Senior Lawyer in her role as the Independent head of SIKIKA.	• facilitation of the Operational-level Grievance Mechanism

Board Evaluation

The Group recognizes the importance for measuring the effectiveness of the Board through a proper Board evaluation process on a regular basis.

The Nomination and Remuneration Committee is responsible for determining the process for evaluating Board performance. The Board has taken a progressive step of rolling out Board evaluation, in line with the provisions of the Code. In 2021, the Board engaged an external consultant to conduct the evaluation.

The evaluation covered the performance of the Board of Directors as a whole, peer assessment (individual members of the Board), Company Secretary, Chairperson, Managing Director and Board Committees. The process which involved detailed questionnaires, examined the balance of the skills of the Directors, the operation of the Board in practice, including governance issues, and the content of the Board meetings.

The overall result of the board evaluation was positive and all the Board members participated. Feedback from the process is used to identify opportunities to improve the performance of the Board and the Directors, and is closely followed up by the Nomination and Remuneration Committee. Some of the areas highlighted for consideration;

- Gender and social inclusion
- Succession planning policy
- Training on regulatory requirement
- Relationship with the community and stakeholders engagement

The Board is considering carrying out another Board evaluation in 2023.

Board Induction and Continuous Professional Development

The Nomination and Remuneration Committee is responsible for induction and continuing professional development programs for Directors to develop and maintain the skills and knowledge needed to perform their role effectively. Newly appointed Directors are provided with orientation immediately upon his/her appointment. They are also provided with information about the role of the Board, each board Committee and the powers delegated to these Committees and formal introduction to senior management. In the year 2022, there were no new Directors appointed to the Board.

The Company Secretary updates, through the Finance Director, the Board on its duties and responsibilities and latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements.

The Directors also visited the Group's operational facilities in Makuyu during the year in order to meet with the management and gain better understanding of the business operations.

The Board approved the training of Directors for 2022 which was conducted by external consultants. The training took 12 hours and covered the following topics:

- Corporate Governance Trends for Listed Companies
- Strategy Development
- Risk Management and compliance
- Stakeholder Engagement
- International standards and international best practices
- Environmental Social and Corporate Governance considerations (ESG) reporting
- Technology and Digitization Developments
- Climate change and sustainability

Board Remuneration

All aspects of remuneration, including but not limited to Directors' fees, salaries, benefits-in-kind and short-term and long-term incentives, options, share-based incentives and awards are overseen by the Nomination and Remuneration Committee. Directors' fees are reviewed annually and submitted to shareholders for approval at each Annual General Meeting.

The remuneration Policy sets guidelines and criteria for the

Board Remuneration (continued)

Board's compensation, attraction and retention of Directors. The Directors' remuneration policy and report, including details of their compensation appears on page 27.

Other Directorships

The Board has clearly determined the maximum number of listed Board representations a Director may hold. The Nomination and Remuneration Committee, having reviewed the Directors' directorships in other companies, their principal commitments, attendance and contributions to the Group, is satisfied that all Directors are able to contribute and have adequately performed their duties as Directors of the Group. A review of the other listed Company Directorships of the Directors indicated that all the Directors have complied with the Code, which limits the number of Directorships in listed companies a member of the Board holds at any given time.

Shareholding

The Group files investor returns to meet the continuing obligations as prescribed by the Capital Markets Authority and the Nairobi Securities Exchange.

Directors interest in the share capital of the Company and the top ten shareholders are listed in the Report of the Directors on page 13 and page 87 respectively of this Annual report.

Governance Audit

The CMA Code provides that issuers of securities to the public are required to undertake periodic governance audits. Following extensive stakeholder consultation to consider the frequency, cycle, cost and scope of governance audits, the Capital Markets Authority (CMA) advised all issuers of a revision in the cycle of governance audits to at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach.

The last Governance audit for the Group was undertaken for the year 2021. The next audit is planned for the year 2023.

Legal and Compliance Audit

The Group has identified several local and international laws and regulations and performs regular compliance assessment checks under the various divisions of the Group. A Compliance Register that identifies the areas of compliance and the level of compliance by the Group is presented to the Board regularly.

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, an internal legal and compliance audit was carried out for the year ended 31 December 2022 with the objective of ascertaining the level of adherence to applicable laws, regulations and standards. The findings from the audit which were presented to the Legal Risk Committee confirmed that the Group was generally in compliance with applicable laws and regulations.

An external legal and compliance audit is being considered in 2023.

Shareholders Relations and Stakeholder Engagement

The Group is committed to equitable treatment of its shareholders, including the non-controlling and foreign shareholders. The Group ensures that all shareholders receive full and timely information about its performance. This is achieved through the distribution of a half-yearly interim financial report and the Annual Report and Financial Statements as well as through compliance with the relevant continuing obligations under the Capital Markets Authority Act. The Group's results are advertised in the press and released to the securities exchanges within the prescribed period at each half-year and year-end.

The published results and related investor information together with all the relevant information relating to the Group is available on the Group's website, https://www.kakuzi.co.ke/investors.

The Group has engaged the services of a registrar, Custody & Registrar Services (Kenya) Limited, who together with the Finance Director, regularly address issues raised by the shareholders. Shareholders' enquiries, either received by telephone or by email, are properly attended by the registrar.

The Group has put in place community relations policy which is on the Group's website covering the key stakeholders. For each of the stakeholders, an effective mode of communication and engagement including education, informing, engagement and collaboration has been developed with timelines. A number of the activities conducted have been captured on the Group's website.

Operational-Level Grievance Mechanism (SIKIKA)

The Operational-level Grievance Mechanism (OGM) provides a systematic and transparent process for receiving, investigating, and addressing company-related grievances from affected communities, workers, farmers who supply avocados through Kakuzi's economic empowerment program, and other relevant stakeholders.

The overall objective of the OGM is to enhance Kakuzi's existing processes to respect human rights, to provide access to remedy through a transparent process of fact finding and respectful dialogue aimed at mutually agreed outcomes, and to strengthen Kakuzi's relationships with all its stakeholders. OGM has been given a local name, SIKIKA, which means "be heard". Extensive stakeholder engagement has been undertaken in developing the Company's OGM as described on the web site.
https://www.kakuzi.co.ke/operational-grievance-mechanism.

Annual General Meetings (AGM)

Due to the COVID-19 pandemic and in line with the COVID restrictions, the Group decided in the interests of the health and safety of shareholders, staff and other stakeholders, to hold the

Annual General Meetings (AGM) (continued)

2022 AGM virtually. Shareholders were provided with various alternatives to participate in the AGM and were given the right to ask questions and participate in AGM and to vote for the resolutions.

During the last AGM held on 17 May 2022, the shareholders approved the financial statements for 2021, Dividend, Directors' Remuneration Report, re-election of Directors, re-election of the members of the Audit and Risk Committee, re-appointment of Messrs Deloitte & Touche LLP as Auditors.

Directors' Responsibilities for Financial Reporting and Disclosures

The Group has maintained timely balanced disclosure of all material information concerning the Group. The Group publishes on its website (https://www.kakuzi.co.ke/news) key Group information including but not limited to; Annual reports, ESG reports, Financial Statements, changes in board composition, Group Notices and AGM materials, Group Board Charter, Group policies such as the Code of Ethics, Human Rights Policy, Whistleblowing Policy among others.

The Group additionally releases material information to the Capital Markets Authority, the Nairobi Securities Exchange and any other relevant regulators in line with all disclosure requirements prescribed in the Code and listing regulations.

A statement of the Directors' responsibilities in respect of the Annual Report and Financial Statements is set out on page 15 of the Annual Report. A statement on going concern is also given within the statement of corporate governance on page 26 of the Annual Report.

Internal Controls and Risk Management Systems

The Directors acknowledge that they are responsible for maintaining a sound system of internal control. During the year, the Audit & Risk Committee, on behalf of the Board, reviewed the effectiveness of the framework of the Group's system of internal control.

Accountability and delegation of authority are clearly defined with regular communication between the Board and management.

The Group has an Internal Audit Department, which is an independent function that reports directly to the Audit & Risk Committee and provides independent confirmation on compliance with the Group's business standards, policies and procedures. Where found necessary, corrective action is recommended.

The performance of each division is continually monitored centrally, including a critical review of annual budgets, forecasts and monthly sales, profits and cash reports.

Financial results and key business statistics and variances from approved plans are carefully monitored.

The Risk Management Policies, which are reviewed by the Committee, are detailed on Note 4.

External Auditor

To assess the effectiveness of the external audit process, the external auditor is required to report to the Audit & Risk Committee and confirm their independence in accordance with ethical standards and that they had maintained appropriate internal safeguards to ensure their independence and objectivity.

In addition to the steps taken by the Board to safeguard auditor objectivity, the Committee has reviewed the non-audit services provided by the external auditor and satisfied itself that the scale and nature of those services were such that the external auditors' objectivity and independence were safeguarded.

The Committee confirms that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The External Auditors attended the two meetings of the Audit and Risk Committee, one to present their 2021 Audit findings report and the second one to present their audit service plan for the year ended 31 December 2022.

Going Concern

The Board confirms the Financial Statements are prepared on a going concern basis, and the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. For this reason, it continues to adopt the going concern basis when preparing the Financial Statements.

BY ORDER OF THE BOARD

K R SHAH	**C J FLOWERS**
21 March 2023	21 March 2023

Directors' Remuneration Report

This report is drawn up in accordance with the Kenyan Companies Act, 2015.

Nomination & Remuneration Committee

Details of the Nomination and Remuneration Committee are set out on page 23.

Policy on Directors Remuneration

The details agreed by the Nomination & Remuneration Committee are as follows:-

- To seek to provide remuneration packages that will attract, retain and motivate the right people for the roles
- So far as is practicable, to align the interests of the Executives with those of shareholders

Service Contracts

The Managing Director and the Finance Director are the only Executive Directors of the Company. They have service contracts with fellow subsidiary companies within the Parent company, Camellia Plc Group, on rolling service contract basis.

Following the initial appointments, non-executive Directors and the Finance Director may seek re-election by shareholders on a rotational basis in accordance with the Company's Articles of Association at Annual General Meetings. Non-executive Directors do not have service agreements.

Directors' Remuneration

The following section has been audited:

The Executive Directors' remuneration (including value of benefits in kind) charged to the Company by a fellow subsidiary company and included in the Related Party transactions (Note 27 (ii)) is as follows:-

	2022 Shs'000	2021 Shs'000
Managing Director (Mr C J Flowers)	12,317	12,001
Finance Director (Mr K R Shah)	16,856	16,656
	29,173	28,657

Directors' fees are payable after the occurrence of the Board Meetings. The Directors do not receive any performance based remuneration. Non Executive Directors are not entitled to any pension contributions.

	2022 Directors' Fees Shs'000	2021 Directors' Fees Shs'000	2022 Benefits in kind Shs'000	2021 Benefits in kind Shs'000	2022 Total Shs'000	2021 Total Shs'000
Non-Executive						
Mr G H Mclean	2,920	2,749	-	-	2,920	2,749
Mr N Ng'ang'a	5,480	5,716	104	99	5,584	5,815
Mr D M Ndonye	3,160	2,987	104	99	3,264	3,086
Mr S N Waruhiu	4,045	5,689	104	99	4,149	5,788
Mr A N Njoroge	4,935	7,235	104	99	5,039	7,334
Mr J K Kimani	2,920	2,749	105	99	3,025	2,848
	23,460	27,125	521	495	23,981	27,620

BY ORDER OF THE BOARD

K R SHAH
21 March 2023

C J FLOWERS
21 March 2023

Deloitte.

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Waiyaki Way, Muthangari
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Independent auditors' report

To the shareholders of Kakuzi Plc

Report on the audit of the consolidated and separate Financial Statements

Our Opinion

We have audited the consolidated and separate Financial Statements of Kakuzi Plc ("the Group") set out on pages 32 to 85, which comprise the consolidated and separate statements of financial position at 31 December 2022 and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the consolidated and separate Financial Statements give a true and fair view of financial position of the Group and the Company as at 31 December 2022 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for Audit of the consolidated and separate Financial Statements* section of our report.

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with other ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated and separate Financial Statements of the current period. The matter was addressed in the context of our audit of the consolidated and separate Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

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Independent auditors' report

To the shareholders of Kakuzi Plc (continued)

Report on the audit of the consolidated and separate Financial Statements (continued)

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Measurement of biological assets (in the consolidated and separate financial statements) The measurement of biological assets at the end of year involves significant judgements and estimates by the Directors, which could have a material impact on the financial position and performance of the Group and the Company. At the end of year, the carrying value of the biological assets amounted to Sh 1,471,390,000 (2021: Sh 1,148,447,000) as disclosed in Note 6 to the consolidated and separate Financial Statements. As discussed in Note 6 of the Financial Statements, biological assets comprise forestry plantations, livestock and growing agricultural produce on bearer plants, which are measured at fair value less costs to sell. The changes in fair value arise as biological transformation of the assets take place rather than at the time of harvest. The Group carried out the valuation of biological assets using the services of external valuers (management experts). As disclosed in Note 3 (a) and Note 6 to the consolidated and separate Financial Statements, the key assumptions and estimates used in the valuation include expected yield, future market prices, exchange rate, costs to sell and the age and condition of the assets. The determination of these assumptions and estimates require careful judgment by the Directors and any changes could lead to material adjustments to the consolidated and separate Financial Statements. We therefore identified the measurement of biological assets as a key audit matter. Refer to Note 2 (h) for the accounting policy on biological assets; Note 3 (a) for the significant estimates used in determining the fair values of biological assets; and Note 6, for the disclosure on biological assets.	Our audit procedures to address the key audit matter included the following: We assessed the competence and independence of the management experts and discussed the scope of their work. We engaged our internal valuation specialists to assist with assessing the appropriateness of the methodology and significant jdgements and assumptions used by the management experts. We obtained the valuation reports and discussed the details with management and the management experts. The discussions involved the valuation process, valuation models, significant assumptions and judgements applied during the valuation. We performed an analysis of the significant assumptions made in the valuation models and assessed them for reasonableness. Our procedures included comparison with market information, sensitivity analysis and retrospective review of the key assumptions and judgements. In addition, we tested a selection of data inputs used against Directors' financial and operational information and external sources, to assess the accuracy, reliability and completeness thereof. We evaluated the sufficiency and accuracy of the disclosures in the notes to the consolidated and separate Financial Statements for compliance with International Accounting Standard (IAS 40) and IFRS 13. We concluded that the assumptions and judgements used in the valuation were reasonable to support the amounts presented in the consolidated and separate Financial Statements. We also found the models used for the valuation of the biological assets to be appropriate. In addition, the disclosures in the consolidated and separate Financial Statements pertaining to the valuation and measurement of biological assets were found to be appropriate in compliance with IAS 40 and IFRS 13.

Other information

The Directors are responsible for the other information which comprises the Company Information, Notice of the Annual General Meeting, Minutes of the 94th Annual General Meeting, Chairman's Statement, Report of the Directors, Statement of Directors' Responsibilities, Statement on Corporate Governance, Directors' Remuneration Report, five year record and major shareholders and distribution schedule which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate Financial Statements, and our auditor's report thereon.

Our opinion on the consolidated and separate Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Independent auditors' report

To the shareholders of Kakuzi Plc (continued)

Report on the audit of the consolidated and separate Financial Statements (continued)

Other information (continued)

In connection with our audit of the consolidated and separate Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with governance for the consolidated and separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate Financial Statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or company to cease to continue as going concerns.

Independent auditors' report

To the shareholders of Kakuzi Plc (continued)

Report on the audit of the consolidated and separate Financial Statements (continued)

Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate Financial Statements, including the disclosures and whether the consolidated and separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board Audit and Risk Committee with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated and separate Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the Directors

In our opinion, the information given in the Report of the Directors on pages 13 to 14 is consistent with the consolidated and separate Financial Statements.

Directors' Remuneration Report

In our opinion, the auditable part of the Director's Remuneration report on page 27 has been prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Fredrick Okwiri, Practising certificate No. 1699**

Fredrick Okwiri

For and on behalf of Deloitte & Touche LLP

Certified Public Accountants (Kenya)

21 March 2023

Consolidated and Separate statement of profit or loss and other comprehensive income

		Year ended 31 December	
	Notes	2022 Shs'000	2021 Shs'000
Sales	5	4,434,211	3,296,414
Gains arising from changes in fair value less costs to sell of non-current biological assets	6(i)	113,559	138,121
		4,547,770	3,434,535
Cost of sales		(2,417,379)	(2,428,335)
Gross profit		2,130,391	1,006,200
Other income	7	126,931	45,369
Selling and distribution costs		(1,114,195)	(660,169)
Operating profit		1,143,127	391,400
Interest income	8	78,530	80,189
Finance costs	8	(33)	(33)
Profit before income tax	5	1,221,624	471,556
Income tax expense	11(a)	(375,820)	(151,820)
Profit for the year		845,804	319,736
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit obligations			
Actuarial (loss)/gain (Note 16)		(7,395)	8,626
Deferred tax credit/(charge) to other comprehensive income (Note 15)		2,219	(2,588)
		(5,176)	6,038
Total comprehensive income for the year		840,628	325,774
Earnings per share (Shs):			
Basic and diluted earnings per ordinary share	12	43.15	16.31

The notes on pages 38 to 85 are an integral part of these consolidated and separate financial statements.

Consolidated statement of financial position

	Notes	31 December 2022 Shs'000	31 December 2021 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		32,815	37,991
Retained earnings		5,347,636	4,972,232
Proposed dividend	12(ii)	470,400	431,200
Total equity		5,948,851	5,539,423
Non current liabilities			
Deferred income tax	15	1,097,473	993,318
Post employment benefit obligations	16	89,538	77,312
Lease obligations	17	326	327
		1,187,337	1,070,957
Total equity and non current liabilities		7,136,188	6,610,380
Non current assets			
Property, plant and equipment	18	3,085,814	2,992,481
Biological assets	6(i)	857,287	793,684
Right of use assets	19	4,236	4,286
Financial assets held at amortised cost	21	100,000	100,000
Non current receivables	23	42,332	38,745
		4,089,669	3,929,196
Current assets			
Biological assets – growing agricultural produce	6(ii)	614,103	354,763
Inventories	22	870,230	504,423
Receivables and prepayments	23	498,689	342,870
Cash and cash equivalents	25	1,408,744	1,656,219
Financial assets held at amortised cost	21	-	100,000
		3,391,766	2,958,275
Current liabilities			
Payables and accrued expenses	24	228,839	227,494
Current tax payable	11(d)	68,684	9,901
Lease obligations	17	168	135
Post employment benefit obligations	16	47,556	39,561
		345,247	277,091
Net current assets		3,046,519	2,681,184
		7,136,188	6,610,380

The notes on pages 38 to 85 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 32 to 85 were approved for issue by the board of Directors on 21 March 2023 and signed on its behalf by:

K R SHAH
DIRECTOR

C J FLOWERS
DIRECTOR

Separate statement of financial position

	Notes	31 December 2022 Shs'000	31 December 2021 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		32,815	37,991
Retained earnings		5,343,495	4,968,091
Proposed dividend	12(ii)	470,400	431,200
Total equity		5,944,710	5,535,282
Non current liabilities			
Deferred income tax	15	1,097,473	993,318
Post employment benefit obligations	16	89,538	77,312
Lease obligations	17	326	327
		1,187,337	1,070,957
Total equity and non current liabilities		7,132,047	6,606,239
Non current assets			
Property, plant and equipment	18	3,085,814	2,992,481
Biological assets	6(i)	857,287	793,684
Right of use assets	19	4,236	4,286
Investment in subsidiaries	20	4,295	4,295
Financial assets held at amortised cost	21	100,000	100,000
Non current receivables	23	42,332	38,745
		4,093,964	3,933,491
Current assets			
Biological assets – growing agricultural produce	6(ii)	614,103	354,763
Inventories	22	870,230	504,423
Receivables and prepayments	23	498,689	342,870
Cash and cash equivalents	25	1,408,744	1,656,219
Financial assets held at amortised cost	21	-	100,000
		3,391,766	2,958,275
Current liabilities			
Payables and accrued expenses	24	237,222	235,877
Current tax payable	11(d)	68,737	9,954
Lease obligations	17	168	135
Post employment benefit obligations	16	47,556	39,561
		353,683	285,527
Net current assets		3,038,083	2,672,748
		7,132,047	6,606,239

The notes on pages 38 to 85 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 32 to 85 were approved for issue by the board of Directors on 21 March 2023 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 2022					
At start of year	98,000	37,991	4,972,232	431,200	5,539,423
Total comprehensive income for the year:					
Profit for the year	-	-	845,804	-	845,804
Other comprehensive loss	-	(5,176)	-	-	(5,176)
Total	-	(5,176)	845,804	-	840,628
Transactions with owners:					
Dividends:					
- Final paid for 2021	-	-	-	(431,200)	(431,200)
- Proposed for 2022	-	-	(470,400)	470,400	-
Total	-	-	(470,400)	39,200	(431,200)
At end of year	98,000	32,815	5,347,636	470,400	5,948,851
Year ended 31 December 2021					
At start of year	98,000	31,953	5,083,696	352,800	5,566,449
Total comprehensive income for the year:					
Profit for the year	-	-	319,736	-	319,736
Other comprehensive income	-	6,038	-	-	6,038
Total	-	6,038	319,736	-	325,774
Transactions with owners:					
Dividends:					
- Final paid for 2020	-	-	-	(352,800)	(352,800)
- Proposed for 2021	-	-	(431,200)	431,200	-
Total	-	-	(431,200)	78,400	(352,800)
At end of year	98,000	37,991	4,972,232	431,200	5,539,423

The notes on pages 38 to 85 are an integral part of these consolidated and separate financial statements.

Other reserves relate to remeasurement of post-employment benefit obligations arising from experience adjustments and changes in actuarial assumptions.

Separate 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 2022					
At start of year	98,000	37,991	4,968,091	431,200	5,535,282
Total comprehensive income for the year:					
Profit for the year	-	-	845,804	-	845,804
Other comprehensive loss	-	(5,176)	-	-	(5,176)
Total	-	(5,176)	845,804	-	840,628
Transactions with owners:					
Dividends:					
- Final paid for 2021	-	-	-	(431,200)	(431,200)
- Proposed for 2022	-	-	(470,400	470,400	-
Total	-	-	(470,400)	39,200	(431,200)
At end of year	98,000	32,815	5,343,495	470,400	5,944,710
Year ended 31 December 2021					
At start of year	98,000	31,953	5,079,555	352,800	5,562,308
Total comprehensive income for the year:					
Profit for the year	-	-	319,736	-	319,736
Other comprehensive income	-	6,038	-	-	6,038
Total	-	6,038	319,736	-	325,774
Transactions with owners:					
Dividends:					
- Final paid for 2020	-	-	-	(352,800)	(352,800)
- Proposed for 2021	-	-	(431,200)	431,200	-
Total	-	-	(431,200)	78,400	(352,800)
At end of year	98,000	37,991	4,968,091	431,200	5,535,282

The notes on pages 38 to 85 are an integral part of these consolidated and separate financial statements.

Other reserves relate to remeasurement of post-employment benefit obligations arising from experience adjustments and changes in actuarial assumptions.

Consolidated and separate statement of cash flows

	Notes	Year ended 31 December 2022 Shs'000	2021 Shs'000
Operating activities			
Cash generated from operations	26	514,559	611,875
Interest received	8	78,530	80,189
Income tax paid	11(d)	(210,663)	(135,268)
Net cash generated from operating activities		382,426	556,796
Investing activities			
Purchase of property, plant and equipment	18	(363,051)	(218,694)
Purchase and development of biological assets	6(i)	(20,687)	(17,305)
Proceeds from disposal of property, plant and equipment		2,726	2,103
Proceeds from maturing financial assets held at amortised cost		100,000	-
Net cash used in investing activities		(281,012)	(233,896)
Financing activities			
Dividend paid		(431,200)	(352,800)
Lease payments	17	(1)	(3)
Net cash used in financing activities		(431,201)	(352,803)
Net decrease in cash and cash equivalents		(329,787)	(29,903)
Movement in cash and cash equivalents			
At start of year		1,656,219	1,670,124
Net decrease in cash and cash equivalents		(329,787)	(29,903)
Effect of exchange rate differences on cash and cash equivalents	7	82,312	15,998
At end of year	25	1,408,744	1,656,219

The notes on pages 38 to 85 are an integral part of these consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements

1. General information

Kakuzi Plc is incorporated in Kenya under the Kenyan Companies Act, 2015 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 ordinary shares are listed on the Nairobi Securities Exchange and the London Stock Exchange.

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income, in these consolidated and separate financial statements.

Reference to, "the Group," in the consolidated and separate financial statements covers the separate Company financial statements as well. The principal activities of the Group comprise:

- growing, packing and selling of avocados
- growing, cracking and selling of macadamia nuts
- the cultivation and sale of tea green leaf
- forestry development & sale of forestry products
- Livestock farming, animal feed and sale of beef
- Growing, packing and selling of blueberries

2. Accounting policies

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

(a) Statement of compliance

The consolidated and separate 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 consolidated and separate financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of the consolidated and separate 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 consolidated and separate financial statements, are disclosed in Note 3.

(b) Adoption of new and revised International Financial Reporting Standards (IFRS)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2022

Several new and revised standards and interpretations became effective during the year. The Directors have evaluated the impact of the new standards and interpretations and none of them had a significant impact on the Group's financial statements.

The following revised IFRSs were effective in the current year and the nature and the impact of the relevant amendments are described below.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to the folowing Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental

Notes to the Consolidated and Separate Financial Statements (continued)

2. Accounting policies (continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2022 (continued)

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use (continued)

to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Amendments to IFRS 3 business combinations – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The group did not have any business combinations for which the date of acquisition falls during the year.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

(i) Impact of new and amended standards and interpretations in issue but not yet effective

At the date of authorization of these financial statements, the Group has not yet applied the following new and revised IFRS Standards that have been issued but are not yet effective.

New and Amendments to standards	*Effective for annual periods beginning on or after*
Amendments to IFRS 10 and IAS 28 – Sale contribution of assets between Investor and its Associate or Joint Venture	Yet to be set, however earlier application permitted
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies	Annual periods beginning on or after 1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	Annual periods beginning on or after 1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Notes to the Consolidated and Separate Financial Statements (continued)

2. Accounting policies (continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(ii) Impact of new and amended standards and interpretations in issue but not yet effective (continued)

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

Notes to the Consolidated and Separate Financial Statements (continued)

2. Accounting policies (continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(ii) Impact of new and amended standards and interpretations in issue but not yet effective (continued)

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - » Right-of-use assets and lease liabilities
  - » Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

(iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in the year ended 31 December 2022.

(c) Consolidation of subsidiaries

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Segment reporting

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

(e) Revenue recognition

The Group recognises revenue mainly from sale of agricultural produce to the export and local markets. Revenue is shown net of value added tax (VAT), returns, rebates and discounts.

Notes to the Consolidated and Separate Financial Statements (continued)

2. Accounting policies (continued)

(e) Revenue recognition (continued)

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

For the sale of agricultural produce to the export market, revenue is recognised when control of the agricultural produce has been transferred to the final customer by selling agents. A receivable is recognised by the Group upon the agents confirming that the agricultural produce has been delivered to the final customer as this represents the point at which the right to consideration becomes unconditional.

For the sale of agricultural produce to the local market, revenue is recognised when control of the agricultural produce has transferred, being at the point the customer purchases the goods at the retail outlet or the agricultural produce is delivered to the customer. Payment is due immediately at the point the customer takes control of the agricultural produce.

Under the Group's standard contract terms, customers do not have a right to return due to the nature of the agricultural produce.

Payment with respect to revenue from agricultural produce is typically due upon acceptance of the products. Contracts with customers do not have a significant financing component and there are no variable considerations.

(f) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the consolidated and separate 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 consolidated and separate 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 profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'interest income or finance costs'.

(g) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at historical cost and subsequently stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. A bearer plant is defined as a plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except to scrap sales.

The cost of bearer plants includes, cost of seedlings, plants and maintaining the bushes until when they become commercially viable.

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 or Company 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.

Bearer plants that are immature are classified as capital work in progress until the produce can be commercially harvested. At that point they are reclassified to bearer plants and depreciation commences. The periods which are considered immature are based on actual biological transformation. Immature plantations are measured at accumulated cost. The accumulated costs relate to cost of seedlings, planting & maintenance of the immature fields until the biological transformation is complete.

Notes to the Consolidated and Separate Financial Statements (continued)

2. Accounting policies (continued)

(g) 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:

	Immature period	Estimated useful life
Buildings, dams and improvements		20 – 50 years
Plant and machinery		10 – 13 years
Motor vehicles, tractors, trailers & implements		4 – 10 years
Furniture, fittings and equipment		3 – 8 years
Bearer plants:		
- Avocado trees	4 years	25 years
- Macadamia trees	6 years	30 years
- Blueberries	1 year	5 years
- Tea bushes	4 years	50 years

Capital work in progress is not depreciated

The assets' 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 in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

(h) Biological assets

Biological assets comprise forestry, livestock and growing agricultural produce on tea, avocado, blueberries and macadamia plantations.

Biological assets are measured on initial recognition at cost and subsequently at fair value less costs to sell at each reporting date. 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 profit or loss 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 tea bushes, avocado and macadamia trees, and blueberries crops are bearer plants and are therefore presented and accounted for as property, plant and equipment (see note 2(g)). However, the produce growing on these trees is accounted for as biological assets until the point of harvest. Harvested produce is transferred to inventory at fair value less costs to sell.

Management has assessed the fair value of growing agricultural produce on avocado, macadamia, blueberries and tea plantations using estimated market prices less costs to sell based on the biological transformation of the produce at the reporting date.

The fair value of timber plantations and livestock is based on market prices as valued by external independent valuers.

Additions and replanting of timber plantations include the cost of planting and upkeep until they mature. Livestock includes the cost of purchases and additional livestock as a result of breeding.

Subsequently all costs of upkeep and maintenance of mature biological assets are recognised as an expense through profit or loss under cost of sales in the period in which they are incurred.

(i) Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

Notes to the Consolidated and Separate Financial Statements (continued)

2. Accounting policies (continued)

(i) Leases (continued)

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loses.

Right-of-use assets are depreciated over the shorter of the period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statement of the profit or loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its buildings which comprise less than 1% of total buildings.

Leases for which the Group is a lessor are classified as operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(j) 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.

The cost of sales is the accumulated total of all costs used to create our products which have been sold. The various costs of sales fall into the general sub-categories of direct labor, direct materials, depreciation and overheads. The cost of sales does not include selling and distribution expenses.

Provisions for obsolete, damaged and unusable inventories are made based on inventory aged listings.

(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.

Notes to the Consolidated and Separate Financial Statements (continued)

2. Accounting policies (continued)

(l) Share capital

Ordinary shares are classified as equity.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short term highly liquid investments with original maturities of three months or less.

(n) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated and separate statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Treasury bonds

The treasury bonds held by the Group are classified at amortised cost when they meet the following criteria:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade receivables

Trade 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 a 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 less provision for impairment. A provision for impairment of receivables is established using an Expected Credit Losses ("ECL") model in line with the requirements of IFRS 9 as outlined in the next section below. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is charged to profit or loss.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive Income ("FVTOCI"), lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Notes to the Consolidated and Separate Financial Statements (continued)

2. Accounting policies (continued)

(n) Financial instruments (continued)

(ii) Definition of default (continued)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past the due date unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group write-offs debt only when there is objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

(i) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(i) Interest income is recognised on a time proportion basis using the effective interest method.

(ii) Dividends are recognised as income in the period in which the right to receive payment is established.

(o) Employee benefits

(i) Post employment benefits obligations

For unionised employees, the group has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreements with the union. Employees who resign/retire after completing at least ten years (Nandi Hills employees) or employees who retire/resign and have completed at least five years (Makuyu employees) of service are entitled to twenty one days pay (Nandi Hills employees) or nineteen 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 profit or loss 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.

(p) Current and deferred income tax

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

Notes to the Consolidated and Separate Financial Statements (continued)

2. Accounting policies (continued)

(p) Current and deferred income tax (continued)

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.The Group considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of uncertainty. Due to uncertainity associated with such tax items, there is a possibility that on conclusion of open tax matters at a future date, the final outcome may differ differently.

(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. 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.

(q) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared (i.e. proposed dividend).

3. Critical accounting estimates, judgements and assumptions

In applying the accounting policies, which are described in note 2 above, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Estimates and associated assumptions are continually evaluated and are based on historical experience and other factors, that are considered to be relevant. Actual results may differ from these estimates.

(a) Critical accounting estimates and assumptions

(i) Useful life of bearer plants

Critical judgement has been made in determining the useful life and maturity period of the bearer plants. The useful life of the bearer plant is based on experience and expected productivity of the plant and the expected replanting schedules.

(ii) Fair values of biological assets

Critical assumptions are made by the Directors and the independent valuer in determining the fair values of biological assets. The key assumptions relate to:

- the market prices of livestock of similar age, breed and genetic merit will remain consistent
- recent market transaction prices for forestry plantations will remain consistent.

(iii) Growing agricultural produce

Critical judgement has been made in determining the fair value of growing agricultural produce on bearer plant. The key assumptions made in determination of fair value are:

- the biological transformation process of the growing agricultural produce will remain consistent to prior produce
- the market price will remain constant based on estimated future market prices

Notes to the Consolidated and Separate Financial Statements (continued)

3. Critical accounting estimates, judgements and assumptions (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Growing agricultural produce (continued)

- the actual costs to sell will not change significantly from estimated costs
- exchange rate will remain constant based on forecast exchange rate.

(iv) 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) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Income taxes

Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Property, plant and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

(iii) Leases

Judgement is required in determination of the appropriate rate to discount the lease payments and the assessment of whether a right-of-use asset is impaired. Further disclosures on the determination of discount rates have been made in note 17.

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.

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.

(a) Market risk

(i) Foreign exchange risk

The Group and Company 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.

The sensitivity analysis below have been determined based on the exposure to exchange rates for financial assets and liabilities at the reporting date. A 5% increase or decrease is used when reporting exchange rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

At 31 December 2022, if the Shilling was weaker/stronger by 5% (2021: 5%) against the US dollar with all other variables held constant, the Group and Company post tax profit would have been Shs 22,268,000 (2021: Shs 30,667,400) higher/lower mainly as a result of US dollar deposits and trade receivables.

Notes to the Consolidated and Separate Financial Statements (continued)

4. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

At 31 December 2022 if the Shilling was weaker/stronger by 5% (2021: 5%) against the Euro with all other variables held constant, the Group and Company post tax profit would have been Shs 1,742,000 higher/lower (2021: Shs 4,106,800).

At 31 December 2022 if the Shilling was weaker/stronger by 5% (2021: 5%) against the Sterling Pound with all other variables held constant, the Group and Company post tax profit would have been Shs 16,000 higher/lower (2021: Shs 1,143,800).

At 31 December 2022 if the Shilling was weaker/stronger by 5% (2021: 5%) against the Australian Dollar with all other variables held constant, the Group and Company post tax profit would have been Shs 88,000 lower/ higher (2021: Shs 127,350).

At 31 December 2022 if the Shilling was weaker/stronger by 5% (2021: 5%) against the Rand with all other variables held constant, the Group and Company post tax profit would have been Shs 56,000 lower/ higher (2021: Shs 5,000).

Below is a summary of the financial assets and liabilities at their carrying amounts.

	USD	EUR	STG	AUD	ZAR	
Closing rate as at 31 Dec 2022						
(to Kenya Shillings)	123.40	131.70	148.44	82.86	7.22	
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Total in Shs'000**
Cash and bank balances	518,059	14,068	2,337	-	-	534,464
Trade and other receivables	126,115	57,670	-	-	-	183,785
Total financial assets	644,174	71,738	2,337	-	-	718,249
Trade and other payables	7,939	21,956	1,892	2,518	1,610	35,915
Total financial liabilities	7,939	21,956	1,892	2,518	1,610	35,915

	USD	EUR	STG	AUD	ZAR	
Closing rate as at 31 Dec 2021						
(to Kenya Shillings)	113.15	128.68	153.26	82.27	7.09	
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Total in Shs'000**
Cash and bank balances	669,427	22,441	5,722	-	-	697,590
Trade and other receivables	5,119	59,952	17,155	-	-	82,226
Total financial assets	674,546	82,393	22,877	-	-	779,816
Trade and other payables	61,198	257	-	2,547	139	64,141
Total financial liabilities	61,198	257	-	2,547	139	64,141

Notes to the Consolidated and Separate Financial Statements (continued)

4. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group and Company has interest earning deposits that are held at fixed interest rates and are therefore not exposed to interest rate risk.

(iii) Commodity price risk

Commodity price risk in the Group primarily arises from price fluctuations and the availability of avocado, tea, macadamia, blueberries, forestry and livestock. The Group has not entered into derivative transactions to limit these risks.

If the commodity prices had been 5% higher/(lower) as of December 2022, profit after tax would have been Shs 156,428,000 (2021: Shs 116,692,000) higher/(lower).

(b) Credit risk

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

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December 2022 is the carrying value of the financial assets in the statement of financial position.

The Group holds collateral in form of vehicles log books registered in the name of staff and Group amounting to Shs 42,703,000 (2021: Shs 37,050,000) in respect of staff loans amounting to Shs 42,703,000 (2021: Shs 37,050,000) included in other receivables. The Group and Company 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.

The Group considers bank balances, financial assets measured at amortised cost and related party recoverables to have low credit and uses external ratings to check if there is increased risk on those assets.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 – month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Notes to the Consolidated and Separate Financial Statements (continued)

4. Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

31/12/2022	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					Shs'000	Shs'000	Shs'000
Trade receivables	23	N/A	Performing	Lifetime ECL (simplified approach)	89,177	(5,928)	83,249
Related companies	23	N/A	Performing	Lifetime ECL (simplified approach)	164,841	-	164,841
Staff debtors	23	N/A	Performing	Lifetime ECL (simplified approach)	44,852	-	44,852
Cash at bank		B	Performing	12-month ECL	1,408,644	-	1,408,644
Financial assets held at amortized cost	21	B2	N/A	12-month ECL	100,000	-	100,000
					1,807,514	(5,928)	1,801,586

31/12/2021	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					Shs'000	Shs'000	Shs'000
Trade receivables	23	N/A	Performing	Lifetime ECL (simplified approach)	71,572	(5,324)	66,248
Related companies	23	N/A	Performing	Lifetime ECL (simplified approach)	98,095	-	98,095
Staff debtors	23	N/A	Performing	Lifetime ECL (simplified approach)	39,011	-	39,011
Cash at bank		B	Performing	12-month ECL	1,655,845	-	1,655,845
Financial assets held at amortized cost	21	B2	N/A	12-month ECL	200,000	-	200,000
					2,064,523	(5,324)	2,059,199

Notes to the Consolidated and Separate Financial Statements (continued)

4. Financial risk management objectives and policies (continued)

(c) Liquidity risk

The group's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The group does not hedge any risks.

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.

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

The table below analyses the Group's and Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the 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 2022:				
- Trade and other payables	228,839	-	-	-
- Lease liability	191	23	21	259
	229,030	23	21	259
At 31 December 2021:				
- Trade and other payables	227,494	-	-	-
- Lease liability	135	24	23	280
	227,629	24	23	280

Company				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At 31 December 2022:				
- Trade and other payables	237,222	-	-	-
- Lease liability	191	23	21	259
	237,413	23	21	259
At 31 December 2021:				
- Trade and other payables	235,877	-	-	-
- Lease liability	135	24	23	280
	236,012	24	23	280

Notes to the Consolidated and Separate Financial Statements (continued)

4. Financial risk management objectives and policies (continued)

(d) 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 Group ensures that funds are available for capital developments by capping the dividends payable. The dividends paid and proposed are shown in Note 12.

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 to the Consolidated and Separate Financial Statements (continued)

5. Segmental reporting - Group

The Executive Directors are the operating decision makers of the Group. They make decisions based on the review of the operating segments reports.

The Group operates in two geographical areas in Kenya, Makuyu and Nandi Hills, and under several operating segments. The principal operating segments currently consist of Avocados and Macadamia whose reported sales are greater than 10% of combined sales of all operating segments and Tea and Forestry whose assets are more than 10% of combined assets of all operating segments. The business activities of livestock, joint projects and blueberries are included under “all other segments” as they relate to agricultural operations and do not meet any set criteria for individual reportable segments. There is no single customer whose revenue amounts to 10% or more of the Groups revenue.

The Group derives all revenues from contracts with customers for the transfer of goods at a point in time.

Segment assets consist primarily of property, plant and equipment, biological assets, inventories, receivables and prepayments. Unallocated assets are cash, financial assets, property, plant and equipment, and inventories relating to Main Office and Engineering Stores. Segmental liabilities consist primarily of payables and accrued expenses. Unallocated liabilities are taxes, payables, accrued expenses and non-current liabilities. The segment information for the reportable segments for the year ended 31 December 2022 and 31 December 2021 is as follows:

	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Tea		Avocados		Macadamia		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	Shs’000	Shs’000
Sales												
Sales to external customers	295,665	260,396	2,792,431	1,675,949	868,724	886,422	342,525	327,433	134,866	146,214	4,434,211	3,296,414
Total Sales	295,665	260,396	2,792,431	1,675,949	868,724	886,422	342,525	327,433	134,866	146,214	4,434,211	3,296,414
Comprising												
Major external customers sales	295,665	260,396	2,609,737	1,597,572	825,440	23,987	-	-	16,554	3,534	3,747,396	1,885,489
All other external customers sales	-	-	182,694	78,377	43,284	862,435	342,525	327,433	118,312	142,680	686,815	1,410,925
	295,665	260,396	2,792,431	1,675,949	868,724	886,422	342,525	327,433	134,866	146,214	4,434,211	3,296,414
Geographical analysis												
UK & Continental Europe	-	-	2,568,879	1,597,572	-	190,155	-	-	-	-	2,568,879	1,787,727
Kenya	295,665	260,396	182,694	78,377	43,284	23,987	342,525	327,433	118,312	142,680	982,480	832,873
Others	-	-	40,858	-	825,440	672,280	-	-	16,554	3,534	882,852	675,814
	295,665	260,396	2,792,431	1,675,949	868,724	886,422	342,525	327,433	134,866	146,214	4,434,211	3,296,414

Notes to the Consolidated and Separate Financial Statements (continued)

5. Segmental reporting - Group (continued)

	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Tea		Avocados		Macadamia		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	Shs'000	Shs'000
Profit/(loss)												
Gross profit /(loss) before depreciation and fair value changes in non-current biological assets and intersegmental purchases	42,704	31,521	1,992,057	962,263	786,600	550,227	126,033	145,283	(55,393)	(47,329)	2,892,001	1,641,965
Depreciation charge	(14,150)	(15,216)	(111,936)	(103,661)	(91,417)	(83,817)	(4,948)	(4,733)	(44,534)	(40,092)	(266,985)	(247,519)
Changes in fair value of non-current biological assets	-	-	-	-	-	-	61,545	72,280	52,014	65,841	113,559	138,121
gross profit/(loss) before unallocated admin expenditure	28,554	16,305	1,880,121	858,602	695,183	466,410	182,630	212,830	(47,913)	(21,580)	2,738,575	1,532,567
Selling and distribution costs	-	-	(1,046,808)	(607,401)	(60,258)	(51,130)	-	-	(7,129)	(1,638)	(1,114,195)	(660,169)
Segment profit/(loss)	28,554	16,305	833,313	251,201	634,925	415,280	182,630	212,830	(55,042)	(23,218)	1,624,380	872,398
Other income	-	5,622	-	-	-	-	-	-	126,931	39,747	126,931	45,369
Interest income	-	-	-	-	-	-	-	-	78,530	80,189	78,530	80,189
Finance costs	-	-	-	-	-	-	-	-	(33)	(33)	(33)	(33)
Unallocated admin expenditure	-	-	-	-	-	-	-	-	(608,184)	(526,367)	(608,184)	(526,367)
Profit/(loss) before income tax	28,554	21,927	833,313	251,201	634,925	415,280	182,630	212,830	(457,798)	(429,682)	1,221,624	471,556
Income tax (expense)/credit	(11,204)	(7,059)	(256,360)	(80,876)	(195,328)	(133,702)	(56,184)	(68,521)	143,256	138,338	(375,820)	(151,820)
Profit/(loss) for the year	17,350	14,868	576,953	170,325	439,597	281,578	126,446	144,309	(314,542)	(291,344)	845,804	319,736
Assets (all located in Kenya)												
Segment assets	1,049,459	1,010,704	1,689,590	1,525,299	2,102,010	1,629,193	800,352	808,051	579,894	529,560	6,221,305	5,502,807
Unallocated assets											1,260,130	1,384,664
											7,481,435	6,887,471
Liabilities												
Segment liabilities	43,220	40,583	-	-	-	-	-	-	-	-	43,220	40,583
Unallocated liabilities											1,489,364	1,307,465
											1,532,584	1,348,048
Additions												
Property, plant and equipment	1,940	4,188	193,296	100,152	94,966	73,239	680	16,355	72,169	24,760	363,051	218,694
Biological assets	-	-	-	-	-	-	16,246	16,865	4,441	440	20,687	17,305
	1,940	4,188	193,296	100,152	94,966	73,239	16,926	33,220	76,610	25,200	383,738	235,999

Notes to the Consolidated and Separate Financial Statements (continued)

5. Segmental reporting - Group (continued)

***Avocados**

Smallholder and Outgrowers Hass Avocados

Included in the segment 'Avocados' information above is trading with smallholders and outgrowers as follows:

		2022		2021
Number of cartons exported		173,064		94,064
Number of cartons sold		173,064		94,064
		2022		**2021**
		Shs'000		**Shs'000**
Gross export sales		117,301		77,844
Selling and distribution costs		(60,664)		(33,103)
Net export sales		56,637		44,741
Local sales		18,188		3,567
Packing expenses		(21,559)		(12,246)
Net return		53,266		36,062
Paid to smallholders and outgrowers	(91%)	**(48,461)**	(87%)	**(31,471)**
Trading profit		4,805		4,591
Extension services expenses		(2,263)		(2,278)
Profit before income tax		2,542		2,313

The above information is non-GAAP and has been computed as follows:

The profit before income tax on the trading with smallholders and outgrowers has been arrived at by deducting packaging expenses, payments to farmers for the purchase of the fruit, and extension services expenses from the net income earned from the export and local sales of this fruit. During the year ended 31 December 2022, Shs 48,461,000 (2021: Shs 31,471,000) was paid out to smallholders and outgrowers from a net return of Shs 53,266,0000 (2021: Shs 36,062,000), representing a 91% (2021: 87%) payout.

Notes to the Consolidated and Separate Financial Statements (continued)

6. Biological assets – Group and Company

(i) Non current assets

Changes in carrying amounts of non-current biological assets comprise:

	Livestock	Forestry plantation	Total
	Shs'000	Shs'000	Shs'000
Year ended 31 December 2022			
At start of year	156,684	637,000	793,684
Increase due to purchases and development	452	20,235	20,687
Gains arising from changes in fair value less costs to sell due to physical change and price changes	52,014	61,545	113,559
Decrease due to harvest and sales	(44,263)	(26,380)	(70,643)
At end of year	164,887	692,400	857,287
Year ended 31 December 2021			
At start of year	145,664	582,499	728,163
Increase due to purchases and development	440	16,865	17,305
Gains arising from changes in fair value less costs to sell due to physical change and price changes	65,841	72,280	138,121
Decrease due to harvest and sales	(55,261)	(34,644)	(89,905)
At end of year	156,684	637,000	793,684

Livestock is made up of cattle and goats and forestry plantations are made up of bluegum and pine trees.

The value of bluegum and pine trees as at 31 December 2022 is Shs 644,400,000 and Shs 48,000,000 respectively (2021: Shs 604,700,000 and Shs 32,300,000) respectively.

There are no biological assets whose title is restricted or pledged as security for liabilities as at 31 December 2022 (2021: Nil).

There were no commitments for development or acquisition of biological assets as at 31 December 2022 (2021: Nil).

(ii) Current assets

Growing agricultural produce on bearer plants as at the reporting date

	2022	2021
	Shs'000	Shs'000
Avocado – Hass	164,614	153,153
Avocado – Pinkerton	183,869	72,929
Total Avocado	348,483	226,082
Macadamia	262,503	127,280
Tea	3,117	1,401
At end of year	614,103	354,763

Notes to the Consolidated and Separate Financial Statements (continued)

6. Biological assets – Group and Company (continued)

Biological assets are carried at fair value less costs to sell at the end of each reporting period.

Plantations comprise forestry. The fair value of forestry is determined by external independent valuation based on recent market transaction prices.

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

The fair value at each reporting date of growing agricultural produce is estimated using the market approach. The key assumptions made in the determination of the fair value are:

- climatic conditions will remain the same and hence productivity will be similar to prior years
- the biological transformation process of the growing agricultural produce will remain consistent to prior produce
- the market price will remain constant based on estimated future market prices
- the actual costs to sell will not change significantly from estimated costs
- exchange rate will remain constant based on forecast exchange rate.

The following table presents Group's biological assets that are measured at fair value:

	Valuation technique	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Year ended 31 December 2022					
Livestock	Market approach	-	164,887	-	164,887
Avocado	Market approach	-	-	348,483	348,483
Tea	Market approach	-	3,117	-	3,117
Forestry	Market approach	-	692,400	-	692,400
Macadamia	Market approach	-	-	262,503	262,503
		-	860,404	610,986	1,471,390
Year ended 31 December 2021					
Livestock	Market approach	-	156,684	-	156,684
Avocado	Market approach	-	-	226,082	226,082
Tea	Market approach	-	1,401	-	1,401
Forestry	Market approach	-	637,000	-	637,000
Macadamia	Market approach	-	-	127,280	127,280
		-	795,085	353,362	1,148,447

There were no transfers between any levels during the year. In the calculation of the fair value for forestry and livestock, the Group has applied market price and yield to be the unobservable inputs.

Notes to the Consolidated and Separate Financial Statements (continued)

6. Biological assets – Group and Company (continued)

The following unobservable inputs at the respective year ends were used to measure the Group's Hass avocado growing agricultural produce classified as level 3 of fair value hierarchy.

Year ended 31 December 2022

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	164,614	Market approach	Yield - Kgs per Hectare	15,685 – 16,510	The higher the yield, the higher the value
			Net price per carton	€4.85 - €5.10	The higher the market price, the higher the fair value
			Stage of growth	12% - 15%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs125.10 – KShs131.70 for €1	The higher the exchange rate, the higher the fair value

Year ended 31 December 2021

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	153,153	Market approach	Yield - Kgs per Hectare	16,806 – 17,690	The higher the yield, the higher the value
			Net price per carton	€4.97 - €5.23	The higher the market price, the higher the fair value
			Stage of growth	12% - 15%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs122.30 – KShs128.70 for €1	The higher the exchange rate, the higher the fair value

Notes to the Consolidated and Separate Financial Statements (continued)

6. Biological assets – Group and Company (continued)

The following unobservable inputs at the respective year ends were used to measure the Group's Pinkerton avocado growing agricultural produce classified as level 3 of fair value hierarchy.

Year ended 31 December 2022

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	183,869	Market approach	Yield - Kgs per Hectare	17,500 – 18,420	The higher the yield, the higher the value
			Net price per carton	€4.33 - €4.56	The higher the market price, the higher the fair value
			Stage of growth	82% - 85%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs125.10 - KShs131.70 for €1	The higher the exchange rate, the higher the fair value

Year ended 31 December 2021

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	72,929	Market approach	Yield - Kgs per Hectare	6,593 – 6,940	The higher the yield, the higher the value
			Net price per carton	€4.66 - €4.91	The higher the market price, the higher the fair value
			Stage of growth	82% - 85%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs122.3 - KShs128.7 for €1	The higher the exchange rate, the higher the fair value

Notes to the Consolidated and Separate Financial Statements (continued)

6. Biological assets – Group and Company (continued)

The following unobservable inputs at the respective year ends were used to measure the macadamia growing agricultural produce classified as level 3 of fair value hierarchy.

Year ended 31 December 2022

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Macadamia Produce	262,503	Market approach	Yield Kgs/Ha	760 – 800	The higher the yield, the higher the value
			Net price per kg of Saleable Kernel	USD10.30 – USD 10.83	The higher the market price, the higher the fair value
			Stage of growth - Early season crop	53% - 56%	The higher the stage of growth, the higher the fair value
			Stage of growth - Late season crop	0%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs117.23 - KShs123.40 for 1 USD	The higher the exchange rate, the higher the fair value

Year ended 31 December 2021

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Macadamia Produce	127,280	Market approach	Yield Kgs/Ha	637 - 670	The higher the yield, the higher the value
			Net price per kg of Saleable Kernel	USD13.79 - USD14.52	The higher the market price, the higher the fair value
			Stage of growth - Early season crop	53% - 56%	The higher the stage of growth, the higher the fair value
			Stage of growth - Late season crop	0%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs107.83 - KShs113.15 for 1 USD	The higher the exchange rate, the higher the fair value

Notes to the Consolidated and Separate Financial Statements (continued)

6. Biological assets – Group and Company (continued)

Changes in carrying amounts of growing agricultural produce on bearer plants as at reporting date comprise:

	Group & Company				
	Avocado	Macadamia	Tea	Blueberries	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2022					
At start of year	226,082	127,280	1,401	-	354,763
Increase due to purchases and development	545,566	362,579	147,517	30,465	1,086,127
Decrease due to harvest and sales	(545,566)	(362,579)	(147,517)	(30,465)	(1,086,127)
Gains arising from changes in fair value less estimated point-of-sale costs	122,401	135,223	1,716	-	259,340
At end of year	348,483	262,503	3,117	-	614,103
Year ended 31 December 2021					
At start of year	266,946	95,852	1,972	-	364,770
Increase due to purchases and development	379,201	266,764	226,067	26,742	898,774
Decrease due to harvest and sales	(379,201)	(266,764)	(266,067)	(26,742)	(898,774)
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	(40,864)	31,428	(571)	-	(10,007)
At end of year	226,082	127,280	1,401	-	354,763

Gains/ (losses) arising from changes in fair value less estimated point-of-sale costs of growing agricultural produce have been recognised in the statement of profit or loss as part of cost of sales.

Notes to the Consolidated and Separate Financial Statements (continued)

6. Biological assets – Group and Company (continued)

	2022	2021
	Hectares	Hectares
Areas planted at the year end:		
Forestry plantations	1,838	1,810
	Head	Head
Cattle numbers at the year end	4,246	4,332

	2022 Hectares	2021 Hectares	2022 Metric tonnes	2021 Metric tonnes
Areas planted with various crops and output of agricultural produce during the year:				
Tea (green leaf)	510	510	6,432	7,205
Avocado	996	927	14,232	8,468
Blueberries	7	10	28	42
Macadamia	1,129	1,032	2,438	1,725

	Cubic metres	Cubic metres
Timber harvested during the year was:	55,797	55,976

Sensitivity Analysis

Agricultural produce of tea bushes is the harvested green leaf which is processed soon after harvest in a factory to made tea. Timber is included under inventory.

Non-current: - Forestry – a 5% increase or decrease in the market price for trees or yield (cubic meter per hectare) assumed would result in a Shs 34,620,000 (2021: Shs 31,850,000) increase or decrease in the fair value of forestry.

Non-current: - Livestock – a 5% increase or decrease in the market price or number of livestock assumed would result in a Shs 8,244,000 (2021: Shs 7,834,000) increase or decrease in the fair value of livestock.

Current: – Macadamia - a 5% increase or decrease in the yield (kilograms per hectare) or the price assumed would result in a Shs 14,011,000 (2021: Shs 13,385,000) or Shs 26,430,000 (2021: Shs 7,030,000) increase or decrease in the fair value of macadamia growing crop respectively.

Hass Avocados - a 5% increase or decrease in the yield (kilograms per hectare) or the price assumed would result in a Shs 10,549,000 (2021: Shs 9,784,000) or Shs 10,553,000 (2021: Shs 9,784,000) increase or decrease respectively in the fair value of growing crop.

Pinkerton Avocados - a 5% increase or decrease in the yield (kilograms per hectare) or the price assumed would result in a Shs 12,054,000 (2021: Shs 4,697,000) or Shs 12,061,000 (2021: Shs 5,077,000) increase or decrease respectively in the fair value of growing crop.

Agricultural Risks

Agricultural activity is often exposed to climatic, disease and other natural risks. During the year no event occurred that gave rise to a material item of income or expense (2021 – Nil). The Group has mitigated the risk of droughts by having dams that are used for irrigation during the dry season. In addition new forestry plants, are planted with significant spacing to allow for the plantation to hold on water for longer periods.

Notes to the Consolidated and Separate Financial Statements (continued)

6. Biological assets – Group and Company (continued)

	2022	2021
	Shs'000	Shs'000
Fair value of the agricultural produce harvested during the year after deducting costs to sell:		
Tea (green leaf)	295,665	260,396
Avocado	1,678,462	1,019,078
Blueberries	18,297	17,996
Macadamia	811,795	838,307
Others	395,750	370,347
	3,199,969	2,506,124

Other agricultural produce relates to forestry and livestock operations.

7. Other income – Group and Company

	2022	2021
	Shs'000	Shs'000
Net foreign exchange gains other than cash and cash equivalents	11,336	1,853
Net exchange gains on foreign currency cash and cash equivalents	82,312	15,998
(Loss)/gain on disposal of property, plant and equipment	(7)	1,420
Rental income	5,176	4,767
Sundry	28,114	21,331
	126,931	45,369

Sundry relates to income from sale of timber and other miscellaneous sales.

8. Interest income and finance costs - Group and Company

	2022	2021
	Shs'000	Shs'000
Interest income		
Interest income on short term bank deposits	53,530	55,189
Interest income on infrastructure bonds	25,000	25,000
	78,530	80,189
Finance costs		
Interest on lease liabilities (Note 17)	(33)	(33)
	(33)	(33)
Net interest income and finance costs	78,497	80,156

Notes to the Consolidated and Separate Financial Statements (continued)

9. Expenses by nature – Group and Company

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

	2022	2021
	Shs'000	Shs'000
Cost of inventories sold	1,760,964	1,811,875
Employee benefits expense (Note 10)	992,059	918,571
Depreciation on property, plant and equipment (Note 18)	266,985	247,519
Repairs and maintenance expenditure on property, plant and equipment	208,722	181,663
Non Executive Directors' remuneration (Note 27(iv))	23,981	27,620
Key management compensation (Note 27(iii))	115,581	97,298
Auditor's remuneration	7,224	6,751
Depreciation of right of use assets (Note 19)	50	49
Expected credit loss allowance (Note 23)	604	-
Loss/(gain) on disposal of property plant and equipment (Note 7)	7	(1,420)
Gains arising from changes in fair value less costs to sell of non-current biological assets (Note 6 (i))	(113,559)	(138,121)

10. Employee benefits expense – Group and Company

The following items are included within employee benefits expense:

	2022	2021
	Shs'000	Shs'000
Salaries, wages, leave pay and medical	954,819	885,334
Post employment benefits costs:		
- Post employment benefit obligations (Note 16)	22,159	21,324
- Defined contribution pension scheme	6,951	5,787
- National Social Security Fund	8,130	6,126
	992,059	918,571

The average number of employees during the year was as follows:

	2022	2021
Management	76	70
Permanent unionisable employees	731	761
Other unionisable employees	2,626	2,414
	3,433	3,245

Notes to the Consolidated and Separate Financial Statements (continued)

11. Income tax – Group and Company

(a) Taxation charge

	2022	2021
	Shs'000	Shs'000
Current tax		
Current tax on profit for the year	269,446	164,833
Deferred income tax		
Deferred income tax charge/(credit) for the year	105,945	(14,184)
Prior year under provision	429	1,171
Total deferred income tax charge/(credit) (Note 15)	106,374	(13,013)
Income tax expense	375,820	151,820

(b) Reconciliation of tax based on accounting profit to tax charge

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

	2022	2021
	Shs'000	Shs'000
Profit before income tax	1,221,624	471,556
Tax calculated at the statutory income tax rate of 30% (2021: 30%)	366,487	141,467
Tax effect of:		
Income not subject to income tax	(7,500)	(10,113)
Expenses not deductible for income tax purposes	16,404	19,295
Under provision of deferred tax in prior years	429	1,171
Taxation charge	375,820	151,820

Notes to the Consolidated and Separate Financial Statements (continued)

11. Income tax – Group and Company (continued)

(a) Group and Company tax charge relating to components of other comprehensive income

Remeasurement of post-employment benefit obligations:	2022	2021
Actuarial (loss)/gain (Note 16)	(7,395)	8,626
Credit/(charge) to other comprehensive income (Note 15)	2,219	(2,588)
Net charge/(credit) to other comprehensive income	(5,176)	6,038

(b) Current tax payable/(recoverable)

	Group		Company	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
At start of year	9,901	(19,664)	9,954	(19,611)
Taxation charge (Note 11 (a))	269,446	164,833	269,446	164,833
Paid during the year	(210,663)	(135,268)	(210,663)	(135,268)
At end of year	68,684	9,901	68,737	9,954

12. Earnings and dividends – Group

i) Basic and diluted earnings per ordinary share

Basic earnings per ordinary share is calculated on the profit attributable to the members of Kakuzi Plc and on the 19,599,999 ordinary shares in issue at 31 December 2022 and 31 December 2021 as follows:-

	2022	2021
Profit attributable to equity holders of the Group (Shs '000)	845,804	319,736
Number of ordinary shares in issue (thousands)	19,600	19,600
Basic and diluted earnings per ordinary share (Shs)	43.15	16.31

The Group had no potentially dilutive ordinary shares outstanding at 31 December 2022 and 31 December 2021.

ii) Dividends per ordinary share

At the annual general meeting to be held on 16 May 2023, the Directors will recommend the payment of a first and final dividend of 480% (2021: 440%) of par value equivalent to Shs 24.00 per ordinary share (Shs 470,400,000 in respect of the year ended 31 December 2022 (2021: Shs 22.00 per ordinary share) (Shs 431,200,000)).

Notes to the Consolidated and Separate Financial Statements (continued)

13. Share capital

	Number of ordinary shares (Thousands)	Ordinary share capital Shs '000
Authorised		
At 1 January 2021, 31 December 2021 and 31 December 2022	20,000	100,000
Issued		
At 1 January 2021, 31 December 2021 and 31 December 2022	19,600	98,000

The par value of the shares is Shs 5

14. Borrowing facilities – Group and Company

	2022 Shs'000	2021 Shs'000
The Group has the following undrawn committed borrowing facilities:		
Floating rate (expiring within one year)	426,300	426,300

The facilities are subject to annual review at various dates during the year 2022.

The undrawn bank facilities of Shs 426,300,000 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.

Notes to the Consolidated and Separate Financial Statements (continued)

15. Deferred income tax – Group and Company

Deferred income tax is calculated using the enacted tax rate of 30% (2021: 30%). The net deferred taxation liability is attributable to the following items:

	2022 Shs'000	2021 Shs'000
Property, plant and equipment	745,284	744,895
Biological assets	391,951	297,529
Other temporary differences*	(39,762)	(49,106)
Net deferred income tax liability	1,097,473	993,318

*Other temporary differences include provision for bad and doubtful debts, provision for leave, gratuity provision, backpay provision, accrued leave, legal & professional fees - general provision, VLS Provision, earth moving equipment provision, unrealised exchange gains, RoU asset and lease liability. These are considered immaterial both individually and in aggregate.

The movement on the deferred income tax account is as follows:

	2022 Shs'000	2021 Shs'000
At start of year	993,318	1,003,743
Charge/(credit) to profit or loss (Note 11(a))	106,374	(13,013)
(Credit)/charge to other comprehensive income (Note 11(c))	(2,219)	2,588
At end of year	1,097,473	993,318

The make up of the deferred tax liability shown on the statement of financial position is made up of the following deferred tax assets and liabilities.

	2022 Shs'000	2021 Shs'000
Deferred income tax assets	(67,805)	(49,106)
Deferred income tax liabilities	1,165,278	1,042,424
	1,097,473	993,318

Notes to the Consolidated and Separate Financial Statements (continued)

16. Post employment benefit obligations – Group and Company

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

	2022	2021
	Shs'000	Shs'000
Present value of post employment benefit obligations	137,094	116,873
Split as follows:		
Non-current portion	89,538	77,312
Current portion	47,556	39,561

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

	2022	2021
	Shs'000	Shs'000
At start of year	116,873	109,585
Net expense recognised in statement of profit or loss and other comprehensive income	29,554	12,698
Benefits paid	(9,333)	(5,410)
At end of year	137,094	116,873

The amounts recognised in the statement of profit or loss within 'cost of sales' for the year are as follows:

	2022	2021
	Shs'000	Shs'000
Current service cost	5,938	6,271
Past service cost	36	4
Interest on obligation	16,185	15,049
Total included in employee benefits expenses (Note 10)	22,159	21,324
Actuarial loss/(gain) recognised in other comprehensive income (Note 11(c))	7,395	(8,626)

Notes to the Consolidated and Separate Financial Statements (continued)

16. Post employment benefit obligations – Group and Company (continued)

	31 December 2022			31 December 2021		
	Gratuity (Makuyu)	Gratuity (Nandi Hills)	Total	Gratuity (Makuyu)	Gratuity (Nandi Hills)	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	93,831	23,042	116,873	86,054	23,531	109,585
Current service cost	4,804	1,134	5,938	4,985	1,286	6,271
Past service cost	36	-	36	-	4	4
Interest expense	13,229	2,956	16,185	11,895	3,154	15,049
	18,069	4,090	22,159	16,880	4,444	21,324
Remeasurements:						
Losses/(gains) from change in assumptions	4,601	1,802	6,403	(7,431)	1,665	(5,766)
Experience (gains)/losses	(1,252)	2,244	992	1,531	(4,391)	(2,860)
	3,349	4,046	7,395	(5,900)	(2,726)	(8,626)
Benefits paid	(4,141)	(5,192)	(9,333)	(3,203)	(2,207)	(5,410)
At end of year	111,108	25,986	137,094	93,831	23,042	116,873

Notes to the Consolidated and Separate Financial Statements (continued)

16. Post employment benefit obligations – Group and Company (continued)

The principal actuarial assumptions used are as follows:

	Gratuity (Makuyu)		Gratuity (Nandi Hills)	
	2022	2021	2022	2021
Discount rate (% p.a.)	14.2%	13.7%	14.2%	13.7%
Future salary increases (% p.a.)				
first year	9.0%	6%	10.0%	6%
second year	7.5%	6%	7.5%	6%
Thereafter	7.5%	6%	7.5%	6%

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 4,562,000
Salary growth rate	by 1%	Not material

Notes to the Consolidated and Separate Financial Statements (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.

	2022	2021
	Shs'000	Shs'000
Present value of post employment benefit obligations – Group and Company	137,094	116,873
Net expense/(income) recognised in the statement of profit or loss and other comprehensive income – Group and Company		
- within 'cost of sales'	22,159	21,324
- within 'other comprehensive income/(loss)	7,395	(8,626)

Characteristics and Risks of the post-employment benefit obligation:

The post-employment benefit obligation is an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreements with the union. Therefore one of the main risks relating to the benefits under the Scheme is the rate of salary growth. As the benefits are based on the final salary, any changes in salary that differ from the salary escalation rate assumed will have a direct bearing on the benefits paid and the present value of the benefit obligation under the scheme. The Company's experience with respect to pre-retirement exit experience, actual ages of retirement and mortality will also impact the benefits payable under the Scheme, when compared with the assumption made.

Notes to the Consolidated and Separate Financial Statements (continued)

17. Lease obligations – Group and Company

	2022	2021
	Shs'000	Shs'000
The movement in the lease liabilities is as follows:		
Balance at 1 January	462	432
Interest on lease liabilities	33	33
Lease payments	(1)	(3)
At 31 December	494	462

	2022	2021
Amounts due for settlement within 12 months	168	135
Amounts due for settlement after 12 months	326	327
	494	462

	2022	2021
Year 1	168	135
Year 2	23	24
Year 3	21	23
Year 4	19	21
Year 5	18	19
Onwards	245	240
	494	462

The lease liabilities were discounted on initial recognition using the incremental borrowing rates of 8%. In the current year, there were no remeasurements of the lease liabilities and the incremental borrowing rates (IBR) at initial recognition was still deemed appropriate.

The cash outflow for leases for the year ended 31 December 2022 was Shs 1,000 (2021 Shs 3,000).

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the company's treasury function. All lease obligations are denominated in Kenya Shillings.

Notes to the Consolidated and Separate Financial Statements (continued)

18. Property, plant and equipment

Group and Company

	Bearer plants	Buildings, dams and improvements	Plant & machinery	Motor vehicles, tractors, trailers and implements	Furniture, fittings and equipment	Capital work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2022							
Cost							
At start of year	1,608,099	1,941,976	424,219	358,615	173,080	327,254	4,833,243
Transfers	169,638	15,034	-	7,450	420	(192,542)	-
Additions	-	173,942	11,717	54,004	6,257	117,131	363,051
Disposals	-	(5,017)	-	(10,255)	(6,558)	-	(21,830)
At end of year	1,777,737	2,125,935	435,936	409,814	173,199	251,843	5,174,464
Depreciation and impairment							
At start of year	443,928	731,559	291,964	259,085	114,226	-	1,840,762
Charge for the year	82,077	87,117	54,724	30,665	12,402	-	266,985
Eliminated on disposals	-	(2,308)	-	(10,255)	(6,534)	-	(19,097)
At end of year	526,005	816,368	346,688	279,495	120,094	-	2,088,650
Net book amount	1,251,732	1,309,567	89,248	130,319	53,105	251,843	3,085,814
Depreciation and impairment at year end comprises:							
Depreciation	526,005	816,368	346,688	279,495	120,094	-	2,088,650
Impairment	-	-	-	-	-	-	-
	526,005	816,368	346,688	279,495	120,094	-	2,088,650

Property, plant and equipment stated at cost of Shs 602,191,102 have been fully depreciated as at 31 December 2022. There were no items of property, plant and equipment whose title were restricted or pledged as security for liabilities as at 31 December 2022 (2021: none).

Based on an impairment review performed by the Directors at 31 December 2022, no indication of impairment of property, plant and equipment were identified (2021: none).

Capital work-in-progress largely relates to self-constructed assets that had not been brought into use as at year end and bearer plants that have not yet matured.

Notes to the Consolidated and Separate Financial Statements (continued)

18. Property, plant and equipment (continued)

Group and Company

	Bearer plants	Buildings, dams and improvements	Plant & machinery	Motor vehicles, tractors, trailers and implements	Furniture, fittings and equipment	Capital work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2021							
Cost							
At start of year	1,414,629	1,865,257	410,955	352,125	161,420	420,706	4,625,092
Transfers	193,470	7,420	1,411	-	3,016	(205,317)	-
Additions	-	70,810	13,389	13,231	9,399	111,865	218,694
Disposals	-	(1,511)	(1,536)	(6,741)	(755)	-	(10,543)
At end of year	1,608,099	1,941,976	424,219	358,615	173,080	327,254	4,833,243
Depreciation and impairment							
At start of year	368,095	653,604	239,019	239,412	102,973	-	1,603,103
Charge for the year	75,833	78,965	54,299	26,414	12,008	-	247,519
Eliminated on disposals	-	(1,010)	(1,354)	(6,741)	(755)	-	(9,860)
At end of year	443,928	731,559	291,964	259,085	114,226	-	1,840,762
Net book amount	1,164,171	1,210,417	132,255	99,530	58,854	327,254	2,992,481
Depreciation and impairment at year end comprises:							
Depreciation	443,928	731,559	291,964	259,085	114,226	-	1,840,762
Impairment	-	-	-	-	-	-	-
	443,928	731,559	295,964	259,085	114,226	-	1,840,762

Notes to the Consolidated and Separate Financial Statements (continued)

19. Right of use assets – Group and Company

The Group has leased land for its use. Information about the leases in which the Group is a lessee is presented below:

	2022	2021
	Shs'000	**Shs'000**
Cost		
At 1 January and at 31 December	4,791	4,791
Accumulated depreciation		
At 1 January	505	456
Charge for the year	50	49
At 31 December	555	505
At 31 December	4,236	4,286
Amounts recognised in profit and loss		
Depreciation expense of right of use assets	50	49
Interest expenses on lease liabilities (Note 17)	33	33
	83	82

The Group is not committed to any arrangements that are short term as at year end.

All of the land leases in which the Group is the lessee contain only fixed payments.

There are no restrictions or covenants imposed by lessors and the Group did not enter into any sale and leaseback transactions during the year (2021: Nil).

Notes to the Consolidated and Separate Financial Statements (continued)

20. Investment in subsidiaries-Company only

The subsidiary companies, Estates Services Limited and Kaguru EPZ Limited, are incorporated in Kenya, have the same year end, are wholly owned and dormant with no transactions during the year.

	Kaguru EPZ Limited	Estates Services Limited	Total
Year ended 31 December 2022	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	1,670	2,625	4,295
At end of year	1,670	2,625	4,295

	Kaguru EPZ Limited	Estates Services Limited	Total
Year ended 31 December 2021	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	1,670	2,625	4,295
At end of year	1,670	2,625	4,295

There were no restrictions on the Groups ability to access or use assets of the subsidiaries to settle the Groups liabilities at 31 December 2022 and 31 December 2021.

Notes to the Consolidated and Separate Financial Statements (continued)

21. Financial assets held at amortised cost – Group and Company

Financial assets held at amortised cost comprises treasury bonds carried at amortised cost.

	Maturityrate Average Interest Rate	Maturity date	2022 Shs'000	2021 Shs'000
Treasury Infrastructure Bonds	12.50%	18-Nov-22 and 18-Nov-24	200,000	200,000

The movement in financial assets held to maturity is as follows:

	2022	2021
	Shs'000	Shs'000
At start of year	200,000	200,000
Redeemed in the year	(100,000)	-
At end of year	100,000	200,000
Non current portion	100,000	100,000
Current portion	-	100,000
	100,000	200,000

The Directors consider that the carrying amounts of the financial assets held to at amortised cost in the consolidated and separate financial statements approximate their fair values.

None of the financial assets had been pledged as collateral for liabilities or contingent liabilities as at 31 December 2022 (2021: Nil).

22. Inventories – Group and Company

	2022	2021
	Shs'000	Shs'000
Spare parts and consumable materials	272,537	211,832
Macadamia nuts	560,704	241,441
Blueberries	587	3,222
Poles and timber	36,402	47,928
Total inventories	870,230	504,423

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 1,760,964,000 (2021: Shs 1,811,875,000). There were no write downs during the year (2021: Nil).

Notes to the Consolidated and Separate Financial Statements (continued)

23. Receivables and prepayments – Group and Company

	2022	2021
	Shs'000	Shs'000
Trade receivables	89,177	71,572
Expected credit loss allowance	(5,928)	(5,324)
Trade receivables - net	83,249	66,248
Due from related companies (Note 27(v))	164,841	98,095
Staff debtors	44,852	39,011
Value Added Tax (VAT) Refunds receivable	129,415	98,387
Other receivables and prepayments	118,664	79,874
	541,021	381,615
Less non current portion	(42,332)	(38,745)
Current receivables and prepayments	498,689	342,870
Non current receivables	42,332	38,745

Other receivables comprise trade deposits and a shipping rebate.

Non current receivables are due within five years from reporting date and are secured and are charged interest of 3.0% (2021: 2.1%). None of the amounts were impaired (2021: Nil).

Trade receivables

The Directors of the Company estimate the loss allowance on trade receivables at the end of the reporting period at an amount equal to lifetime expected credit loss ("ECL").

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Trade receivables – days past due					
31/12/2022 & 31/12/2021	**Not past due Shs'000**	**<30 Shs'000**	**31 - 60 Shs'000**	**61 - 90 Shs'000**	**>90 Shs'000**	**Total Shs'000**
Expected credit loss rate	0%	0%	0%	0%	100%	0%
	======	======	======	======	======	======

Notes to the Consolidated and Separate Financial Statements (continued)

23. Receivables and prepayments – Group and Company (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed	Individually assessed	Total
	Shs'0000	Shs'0000	Shs'0000
Balance at 1 January 2021	-	5,324	5,324
Loss allowance charge for the year 2021	-	-	-
Balance as at 31 December 2021	-	5,324	5,324
Loss allowance charge for the year 2022	-	604	604
Balance as at 31 December 2022	-	5,928	5,928

24. Payables and accrued expenses

	Group		Company	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	79,075	110,320	79,075	110,320
Due to related companies (Note 27(v))	5,983	-	14,366	8,383
Accrued expenses	23,656	19,898	23,656	19,898
Leave obligations	40,107	36,634	40,107	36,634
Other payables	80,018	60,642	80,018	60,642
	228,839	227,494	237,222	235,877

Other payables relate to provisions for audit, legal and and sundry payables.

Leave obligations covers the Group's liability for accrued annual leave. The movement on the leave obligations for Group and Company is as follows:

	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	36,634	34,434	36,634	34,434
Charge for the year	5,004	4,711	5,004	4,711
Paid during the year	(1,531)	(2,511)	(1,531)	(2,511)
At end of year	40,107	36,634	40,107	36,634

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

Notes to the Consolidated and Separate Financial Statements (continued)

25. Cash and cash equivalents - Group and Company

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

	2022	2021
	Shs'000	Shs'000
Cash at bank and in hand	126,822	74,612
Short term deposits	1,281,922	1,581,607
	1,408,744	1,656,219

The short term deposits are denominated in Kenya Shillings (Shs) and United States Dollars (USD) and have a maturity of three months or less from the date of acquisition or are repayable immediately with no loss of interest. The effective interest rates on the short term deposits as at 31 December were as shown below:

	2022	2021
Kenya Shillings deposits	10.0%	7.10%
United States Dollar deposits	4.2%	3.00%

The Directors consider that the carrying amounts of cash and cash equivalents in the consolidated financial statements approximate their fair values. As at the reporting date, the Group and Company had an undrawn facilities with local financial institutions amounting to Shs. 426,300,000 (2021: Shs. 426,300,000).

There were no amounts of cash and cash equivalents held by the Group that were not available for use by the Group as at 31 December 2022 (2021: Nil).

Notes to the Consolidated and Separate Financial Statements (continued)

26. Note to the consolidated and separate statement of cash flows

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

	2022	2021
	Shs'000	Shs'000
Profit before income tax	1,221,624	471,556
Adjustments for:		
Net exchange gains on foreign currency cash & cash equivalents (Note 7)	(82,312)	(15,998)
Interest expense on lease liabilities (Note 8)	33	33
Interest income (Note 8)	(78,530)	(80,189)
Depreciation on property, plant and equipment (Note 18)	266,985	247,519
Depreciation of right of use assets (Note 19)	50	49
Loss/(gain) on disposal of property, plant and equipment	7	(1,420)
Gains arising from changes in fair value less estimated point-sale costs of non-current biological assets (Note 6 (i))	(113,559)	(138,121)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 6 (i))	70,643	89,905
Fair value movement in biological assets – growing agricultural produce (Note 6)	(259,340)	10,007
Changes in working capital:		
- Increase in inventories	(365,807)	(69,407)
- (Increase)/decrease in receivables and prepayments	(159,406)	81,140
- Increase in payables, accrued expenses and lease obligations	1,345	887
- Increase in post-employment benefit obligations	12,826	15,914
Cash generated from operations	514,559	611,875

Notes to the Consolidated and Separate Financial Statements (continued)

27. Related party transactions – Group and Company

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

The following transactions were carried out with Camellia Plc Group related parties:

	2022	2021
	Shs'000	Shs'000
i) Sale of goods to:		
Eastern Produce Kenya Limited	295,665	197,640
E P (T) East Africa Limited	139	-
	295,804	197,640
ii) Purchase of goods and services from:		
Robertson Bois Dickson Anderson (RBDA) Kenya Branch	-	24,654
Eastern Produce Kenya Limited	75,084	73,724
Eastern Produce Regional Services Limited	112,258	74,423
Eastern Produce Estates SA (PTY) Ltd	37	17
	187,379	172,818

The purchase of goods and services related to Eastern Produce Regional Services Limited includes a charge for the Executive Directors remuneration amounting to Shs 29,173,000 (2021: Shs 28,657,000).

	2022	2021
	Shs'000	Shs'000
iii) Key management compensation		
Salaries and other short-term employment benefits	113,844	96,327
Post employment benefits	1,737	971
	115,581	97,298
iv) Non-Executive Directors' remuneration		
Fees for services as a Director	23,460	27,125
Other emoluments	521	495
	23,981	27,620

Notes to the Consolidated and Separate Financial Statements (continued)

27. Related party transactions – Group and Company (continued)

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

	Group		Company	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related Companies				
Eastern Produce Kenya Limited	164,702	82,295	164,702	82,295
E P (T) East Africa Limited	139	-	139	-
Eastern Produce Regional Services Limited	-	15,800	-	15,800
Total (Note 23)	164,841	98,095	164,841	98,095
Due to related Companies				
Estates Services Limited	-	-	2,570	2,570
Kaguru EPZ Limited	-	-	5,813	5,813
Eastern Produce Regional Services Limited	5,979	-	5,979	-
Eastern Produce Estates SA (PTY) Ltd	4	-	4	-
Total (Note 24)	5,983	-	14,366	8,383

28. Commitments – Group and Company

Capital commitments

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

	2022	2021
	Shs'000	Shs'000
Property, plant and equipment	45,810	48,168

29. Contingent liabilities and guarantees

Various claims have been submitted against the Group in relation to different litigations and inquiries. It is not practical to estimate the potential effect of these claims and inquiries but legal advice indicates that it is not probable that a significant liability will arise. The Directors believe that the ultimate resolution of these legal proceedings and inquiries would not have a material effect on the Group's consolidated and separate financial statements. As at the reporting date, the Group and Company had given guarantees in the normal course of business from which they do not anticipate material liabilities to crystalise.

30. Subsequent events

There have been no significant events after the reporting date to the date of signing these accounts which have a material financial statement impact at 31 December 2022.

Company's five year record

	2022	2021	2020	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Turnover	4,434,211	3,296,414	3,608,941	2,888,662	3,152,831
Profit before income tax	1,221,624	471,556	847,532	1,014,477	684,083
Income tax	(375,820)	(151,820)	(225,498)	(301,038)	(202,489)
Profit after income tax	845,804	319,736	622,034	713,439	481,594
Profit attributable to the members of Kakuzi Plc	845,804	319,736	622,034	713,439	481,594
Dividends: -					
Proposed final dividend - for the year	470,400	431,200	352,800	274,400	176,400
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves	5,846,710	5,437,282	5,464,308	5,116,184	4,567,335
Total equity	5,944,710	5,535,282	5,562,308	5,214,184	4,665,335
Basic earnings per ordinary share (Shs)	43.15	16.31	31.74	36.40	24.57
Dividends per ordinary share (Shs)	24.00	22.00	18.00	14.00	9.00
Dividend cover	1.80	0.74	1.76	2.60	2.73
Total equity per ordinary share (Shs)	303.30	282.41	283.79	266.03	238.03

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

MAJOR SHAREHOLDERS

The 10 major shareholders and their holdings at 31 December 2022 were:

	Shareholder name	Number of ordinary shares	%
1	John Kibunga Kimani	6,520,433	33.27%
2	Bordure Limited	5,107,920	26.06%
3	Lintak Investments Limited	4,828,714	24.64%
4	Kakuzi Neighbourhoods Development Foundation	466,598	2.38%
5	G.H. Kluge & Sons Limited	239,118	1.22%
6	HSBC Global Custody Nominee (UK) Limited	200,000	1.02%
7	Joe B.Wanjui	122,004	0.62%
8	John Okuna Ogango	110,700	0.56%
9	Lise Larsen & Esther Ebba Aasberg Larsen	48,999	0.25%
10	Kusumben Ambubhai Amin	47,559	0.24%
		17,692,045	**90.27%**

* 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 ordinary shares.

DISTRIBUTION SCHEDULE

The distribution of ordinary shares as at 31 December 2021 was:

Ordinary shares range	Number of shareholders	Number of ordinary shares	%
Less than 500	844	130,501	0.67%
501 to 5,000	428	786,015	4.01%
5,001 to 10,000	44	332,948	1.70%
10,001 to 100,000	38	755,048	3.85%
100,001 to 1,000,000	5	1,138,420	5.81%
Over 1,000,000	3	16,457,067	83.96%
	1,362	**19,599,999**	**100.00%**

NOTES

Form of Proxy

(95th Annual General Meeting)

I/WE ____

of ____ being a member of the above-named Company,

hereby appoint: ____

of (address) _________________________________ Telephone Number _________________________________

Email Address ____________________________________, or failing him/her _________________________________

of (address) ____________________________________ Telephone number ______________________________

Email Address ____ or failing him/her 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 Tuesday,16th May 2023 at 12.00 noon, and at any adjournment thereof.

As witness my/our hand this____________________________________day of _____________________________2023

Signed ____

Signed ____

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her 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's Registrars no later than Friday, 12th May 2023.

FOLD 2

STAMP

FOLD 3

Kakuzi Plc
P O Box 24
Thika 01000
Kenya

FOLD 3

INSERT FLAP INSIDE

NOTES

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KAKUZI IN THE NEWS

Local News


Agriculture

Kakuzi boosts its human rights team with new leader

BY PETER MBURU

Agricultural firm Kakuzi, has appointed former presiding judge of the Interim Independent Constitutional Dispute Resolution Court Justice (Rtd) Violet Mavisi, as the independent head of the company's operational level grievance mechanism.

This is Kakuzi's mechanism for receiving, investigating, and addressing company related complaints from internal and external stakeholders, launched in September last year after a year of piloting. Kakuzi yesterday said the naming of Ms Mavisi to the position would provide impetus to its ongoing efforts to have proper human rights management standards.

Kakuzi Managing Director Chris Flowers, said they had used its experts to identify and valid... the appointment.

Saturday Nation
22-Jan-2022Page 37


Sustainable farming key to achieving net zero emissions goal

POLLUTION

CHRIS FLOWERS, Managing Director, Kakuzi Plc

The annual Economic Survey report published annually has always made for an exciting read on agricultural economics and the sector's contribution to the economy.

The Economic Survey 2021, for example, confirmed that essentially rain-fed agriculture had remained the most dominant economic sector, accounting for 23 per cent of the total value of the economy in 2020.

Despite the poor short rains, Covid-19 pandemic and desert locust attacks, the report confirmed that in 2020, it was a mixed bag of performance in the sector. The overall value of mar... keted a... pro...

Sustainable traditional agricultural techniques have long been practised in Kenya

to grow our plants. We must be carbon positive.

Sustainable traditional agricultural techniques have long been practised in Kenya. However, given today's populations, the use of technology and science to create the future's 'sustainable farming handbook' is essential.

Kenya is already well advanced in this journey in integrated pest management, but there is a long road yet to travel. The preservation of agricultural soils, conservation of water, enhancement of natural watersheds and catchments must be combined with many other elements if we are going to future proof our farming and become carbon positive.

Simply put, something has to be done to achieve these milestones. For instance, dams will not fill with water unless catchments are set aside and preserved. Soils will not be enhanced and regenerated unless a conscious decision is mad... do someth... For ... grow...

Business Daily
22-Feb-2022, Page 9


Kakuzi gets Kephis nod for China exports

Agro-business firm Kakuzi has secured approval from Kenya Plant Health Inspectorate Service (Kephis) to process fresh avocados for the Chinese market.

The approval followed a stringent phytosanitary audit for its extensive Kakuzi farms and packhouse. It comes after the recent signing of two bilateral trade protocols to facilitate the export of fresh avocados and aquatic products from Kenya to China.

As part of the implementation of the protocols, Kephis has been undertaking facility audits to ensure the integrity of local packhouses earmarked to provide packaging solutions for avocado exports.

Kakuzi Managing Direct...

Standard on Saturday
19-Mar-2022, Page 29

https://bit.ly/417DQ1E


KAKUZI IS BANKING ON A PRODUCT DIVERSIFICATION STRATEGY TO BOOST SHAREHOLDER VALUE

Mt. Kenya Times


Kakuzi pioneers Jiko Kisasa - New Cooking jiko transforming lives

Kwabe Benjy

Business · September 15, 2022 · No Comments

Jiko Kisasa is a product of Kakuzi PLC to the community and Kenyans at large with an aim of modernizing the cooking from old Meko to a new efficient means

http://bit.ly/3mfCgfx


Kakuzi inks partnership to export blueberries

Kenya is set to break into the global blueberries export market with listed agribusiness firm Kakuzi and berries marketing firm Driscoll's announcing a partnership to grow local and export volumes.

Kakuzi PLC Managing Director Mr Chris Flowers said Driscoll's market evaluation team conducted a fact finding tour of the firm's orchards in Makuyu, Murang'a County last week.

The Driscoll's team comprised 13 senior sourcing, technical and market development executives led by the Vice President of Global Blueberry Leadership, Mr Garland Reiter. The Driscoll delegation was conducted on a guided tour of the 10-hectare blueberry orchards at Kakuzi.

The blueberry venture, which has been undergoing production and commercial trials, Mr Flowers said, is part of the firm's revenue diversification strategy.

Driscoll's is evaluating the possibility of importing premium Kakuzi Blueberries to the European, Middle, and Far East markets and further developing regional sales.

Mr Flowers said the commercial blueberry trials that commenced two years ago had returned exciting outcomes that will guide the firm's fu... investments and expansion. "Kakuzi's pilot commercial trials have done what they were meant to do, and we have learnt a lot in preparation for our future expansion plans in this blueberry venture."

"Growing superfoods is what we do and adding blueberries to our core crops of avocados and macadamia will help Kakuzi to diversify its operations even further for the benefit of our shareholders," added Flowers.

Driscoll Vice President of Global Blueberry Leadership Garland Reiter said the developments at Kakuzi heralded the dawn of blueberry ...

Driscoll's Global Blueberry Leadership VP Garland Reiter (left) and Kakuzi MD Chris Flowers inspect Blueberry orchards. [Courtesy]

The Standard 15-Aug-2022 Page 25

International News


Kakuzi PLC: China's Avocado Market Is Still Small but Has Great Potential

http://bit.ly/3m60atX


Kakuzi prepares first China shipment

bit.ly/3GpmhT4


China.org.cn

Kenya in talks with Malaysia to secure int'l avocado market

NAIROBI, Aug. 29 (Xinhua) -- Kenyan plant health regulatory agency said Monday it has kicked off talks with its counterparts in Malaysia to secure a broader international market footprint.

Kenya Plant Health Inspectorate Service said it has been working hard to secure export market access for local avocado growers beyond the traditional European markets.

KEPHIS Managing Director Theophilus Mutui said an audit team from Malaysia's National Plant Protection Organization (NPPO) concluded pest-risk and field assessments at the integrated agro-business firm Kakuzi, in Murang'a county, central Kenya, last week as part of the bilateral

http://bit.ly/41owyXN


Fresh Plaza

Kakuzi PLC will train Kenyan smallholder farmers on avocado production

http://bit.ly/3zFCbVz


asiaPacific News.Net

Kenyan firm secures approval to export avocados to China

Xinhua

17 Mar 2022, 20:30 GMT+10

NAIROBI, March 17 (Xinhua) -- Kenya's integrated agro-business firm Kakuzi said Thursday it has secured approval from the Kenya Plant Health Inspectorate Service (KEPHIS) to process and prepare export grade fresh avocados for the Chinese market.

Kakuzi managing director Chris Flowers said the firm said they secured the approval following a stringent phytosanitary audit for its extensive Kakuzi farms and packhouse.

bit.ly/3GmBS5z


中国网 china.org.cn

Chinese executives tour Kenya's agri-business firm to explore Hass Avocado imports

Xinhua · china.org.cn | February 19, 2023

Chinese executives tour Kenya's agri-business firm to explore Hass Avocado imports

NAIROBI, Feb. 18 (Xinhua) -- Senior executives from China's Dalian Yidu Group, a major importer

bit.ly/kakuzi-chinacc


EUROFRUIT

Kakuzi focuses on traceability and sustainability

Chris Flowers, managing director of Kenyan exporter Kakuzi, believes Kenyan avocados can differentiate themselves from the competition by highlighting their commitment to quality, traceability and sustainability

http://bit.ly/3zFCbVz

KAKUZI PHOTOS

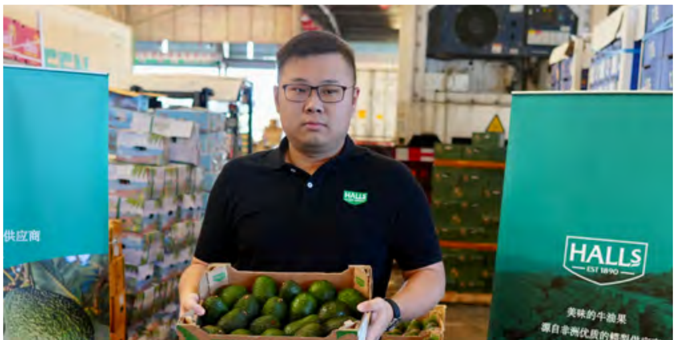
Kakuzi Managing Director Chris Flowers with the Nairobi Securities Exchange CEO Mr Geoffrey Odundo and Kakuzi Corporate Affairs General Manager Simon Odhiambo at the launch of the agri busines firm's 2020 ESG report 2-min

Dalian Yidu Group Business Executive Laura Xu getting an update from Kakuzi Managing Director Chris Flowers and Corporate Affairs General Manager Simon Odhiambo at the Kakuzi Avocado Orchards in Makuyu, Murang'a County

Mr.Kello Harsama, PS, State Department for crops Development and Agricultural Research awards Mr. Chris Flowers MD Kakuzi PLC as the Avocado person of the year

Driscoll's Vice President of Global Blueberry Leadership, Mr Garland Reiter (left) and Kakuzi MD Chris Flowers inspecting Blueberry orchards

Kakuzi Technical Manager Grace Njeru (left) conducts Malaysian Plant Health Auditors Sharipuddin Halidi and Mohd Sanusi on an orchard inspection exercise



Halls Fresh Produce China Executive Mr Lifan Yu displays a Kakuzi premium Hass Avocados carton at the Shanghai Huizhan Fruit and Vegetable Market

KEPHIS Phytosanitary General Manager Dr Isaac Macharia confers with Kakuzi Plc Managing Director Chris Flowers

Paul Wanyoike and Paralympic Champion Henry Wayoike receive an award from General Manager, Human Resources Kakuzi PLC, Dr.Wilson Odiyo, and Community Relations Manager, Kakuzi PLC, Rachel Karimi

QUALITY
KAKUZI
PRODUCTS

www.kakuzi.co.ke