

**KAKUZI PLC**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD OF SIX MONTHS TO 30 JUNE 2021**  
**(UNAUDITED)**

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## **RESULTS**

The profit before tax for the half-year period ending June 2021 was KSh 276.7 million compared to KSh 285.9 million posted within the same period last year.

The harvesting of our flagship products - Avocado and macadamia began in earnest in June. The preliminary production data available at this stage indicates that the avocado crop output to market is significantly lower than 2020, whilst the macadamia crop is in line with earlier projections.

We anticipate that the COVID-19 Pandemic will continue to disrupt the potential of our markets to absorb our produce to a certain degree for the rest of this year. This is due to the market slowdown associated with lockdown and related restrictions. At this stage, it is too early to predict the full impact of these developments on the Company's full year performance, but we continue to actively monitor.

## **DIVIDEND**

The Directors do not recommend the payment of an Interim Dividend.

## **OVERVIEW**

The COVID-19 pandemic continues to place challenges on the business. Health protocols continue to be strictly enforced for all our operations. Our clinical service team is working in close consultation with Government and Ministry of Health officials to provide a high level of support for our employees and community. Through this collaboration, the Company's clinics have been identified as vaccination centers for both employees and members of the community.

The leading international markets for our products remain negatively impacted by COVID-19, although we see recovery and growing demand in the traditional key nut markets.

On the other hand, high supply levels of avocados into Europe from Peru and COVID restrictions are having a downward pressure on prices. However, it is too early to project how the balance of the season will perform, and we continue to monitor the market trends.

Positive growth continues to be registered from our Blueberry sales in the domestic and regional markets. This is due to the growing consumer preference for quality locally produced berries for catering and home consumption.

Production of macadamia nuts is in line with expectations and is expected to register marginal growth this year as the orchards mature and new plantings begin to bear.

Demand for our range of wood, beef and animal feed products remains encouraging, and we continue to explore additional diversification strategies for this important range of products.

Unfortunately, tea production returns have not improved in the last 12 months. We are aware of the proposed new tea regulations and we await to see the outcome of the Court process surrounding these.

## **OPERATIONS**

The primary export season for Hass Avocado began in June with a lighter crop than last year. Bi-annual bearing in avocado production is common, with an 'on' year yield being higher than an 'off' year yield. After last year's bumper harvest, this year's production is in an 'off' cycle.

Effective canopy management strategies are in place to mitigate this natural phenomenon as much as possible.

The new avocado development area is thriving, and land preparation is underway in the adjacent crop area previously under pineapple production.

Our team of dedicated extension staff continue to work with smallholder farmers to impart the technical skills required for growing this crop commercially.

The harvesting of the early season macadamia crop has been completed, and the late harvest is about to begin.

Cracking of the nuts after drying is well underway with good quality results. We expect the production volume to be well within the projections earlier envisaged. Exports sales have remained steady, but the pandemic continues to impact consumption trends in our key markets.

This is our first full production season of blueberries. Although the bushes are still relatively small, the production levels are reasonable.

The commercial experiment on this crop was designed to understand both what the growing and marketing complexities are. Blueberries are a complex crop to grow, but domestic and regional demand for healthy foods, such as blueberries is, increasing at an encouraging rate.

The production and sales of our sustainable wood products remain strong, and we are considering further expansion of our sawn timber production capacity to meet growing demand. This is a crucial product range for Kakuzi as it also demonstrates that sustainable commercial forestry can be profitable. Looking ahead and with the growing demand for timber products, we cannot underestimate the importance of both environmental and commercial forestry prospects.

Our livestock operations have also performed well with increased sales through the roadside butchery at Kakuzi.

Sales of quality, reasonably priced hay have also been an essential contributor to the operation and our local cattle farmers. We have already purchased and put a small goat herd into breeding production as part of our efforts to diversify further as we believe there is a strong demand for goat meat.

To further raise our revenues, we continue to look at other value addition and local sale opportunities for our products.

During the peak season, the Company now employs nearly 3,000 people and has a dedicated management staff of 66. Over the last 12 months, the Company has undergone and passed five separate social and compliance audits which appraise many different parameters from agricultural practices, environmental protection and social standards. This is an essential contributor to the national growth and is a measure of our true value to the Kenyan economy.

### **CORPORATE SOCIAL INVESTMENT AND SUSTAINABILITY**

We acknowledge the input from our employees, participation of our surrounding community and partnership from other stakeholders towards actualizing our commitment to ethical and sustainable operations. We continued with our Corporate Social Investment program which is aligned to the United Nations Sustainable Development Goals (SDG's) with our focus being on Good Health and Wellbeing, Gender Equality, Clean Water and Sanitation, Decent Work and Economic Growth, Climate Action and Partnership for the Goals.

Kakuzi was named the winner of the Best Supplier Health & Safety/Labour Programme at the Sedex Responsible Business Award 2020. The award recognizes companies that have successfully implemented a programme related to health and safety and labour practices.

Sustainability to us is ultimately about preserving our planet for future generations, but this can only happen if we make the correct decisions today. As part of Kakuzi's environmental management program, we are championing tree planting in schools and community to provide a greener environment. The exercise dubbed "adopt a tree" aims to have students and their teachers plant trees and take responsibility for post planting care. This year we have so far donated and together with communities and schools planted over 800 indigenous tree seedlings.

During the first half of the year we have implemented interventions aimed at promoting safety at school during this covid-19 pandemic time. To this end, we have positively impacted 67 schools with 64 hand washing tanks, 18,100 reusable face masks, thermo-guns for temperature monitoring and 805 school desks to allow for greater social distancing. In addition, we completed the rehabilitation of Kakuzi Primary School giving it a total facelift.

To improve access to water and sanitation in our surrounding schools we have successfully installed rainwater harvesting systems and piped water benefiting 5,000 learners. An additional 26 latrines in 6 schools has also been constructed during the period under review.

Tabasamu, our menstrual hygiene program, continues to be an integral part of our health promotion services. It provides reproductive health interventions including menstrual health awareness and provides sanitary towels to the female employees, the adolescent girls within our immediate community and surrounding schools through partnerships with local Community Based Organizations.

Our Smallholder Avocado program remains a unique contribution by Kakuzi to the Economic wellbeing of the members of the community. The program's mantra is '*tukurie matuda hamwe*' translated to mean 'growing the fruit together'. We are in the process of finalizing the "Kakuzi Avocademy" program through which we will share expert knowledge on agronomy, avocado husbandry and Good Agricultural Practices to our farming community. As part of this program, we have offered local nursery operators free training on nursery skills as well as the free provision of avocado scions. This is part of our contribution toward ensuring quality Kenyan avocados are available in the future.

In addition to availing some of its private roads for use by the community, the Company has graded and rehabilitated the Sunset-Kahuruko road for use by Ithanga residents and further constructed a road within its property from Sunset to the D454 road leading to Kinyangi Centre. A community bridge has been fully constructed and materials donated for construction of another 4 bridges.

We are at an advanced stage of developing an Operational-Level Grievance Mechanism (OGM) that will provide multiple avenues through which our employees and the Community can raise grievances and issues they would like the Company to address. The OGM provides a systematic and transparent process for receiving, investigating, and addressing company-related grievances from affected communities, workers, smallholder farmers, and other stakeholders. The overall objective of the OGM is to enhance Kakuzi's existing processes to respect human rights, to provide access to remedy and to strengthen relationships with all its stakeholders.

The Independent Human Rights Advisory Committee to the Board has already commenced its duties and we look forward to receiving their useful advice.

## **STRATEGIC GOALS & DEVELOPMENTS**

The commitment to continuing the agricultural diversification strategy remains unchanged. However, the increasing importance to the world of agriculture is understanding how our operations impact climate change while establishing how our agricultural practices can positively impact the environment. We are prioritizing efforts to assess and understand how Kakuzi can take on this challenge as a matter of critical importance.

As previously reported, Kakuzi is well advanced in developing an Operational-Level Grievance Mechanism, which will comply with the United Nations Principles of Business and Human Rights. This process will afford persons with a grievance on our operations access to remedy quickly and sensitively. The mechanism also demonstrates Kakuzi's commitment to operationalize the National Action plan on Business and Human Rights.

We are pleased to be at the forefront of this journey with the support of several key stakeholders Nationally and Internationally.

## **LOOKING AHEAD**

The mid-year is always a challenging time to make any precise projections for the year-end performance. We have a good balance of products to market, though given the unique circumstances of the last 18 months that the world finds itself in, we remain exposed to market and price volatility.

Climate change and how we as an agricultural company plan to respond to the challenges posed remains a matter of progressive evaluation. We shall be publishing our second Environment, Social and Governance report this September to clearly show the steps we are taking to ensure our operations embrace sustainable agricultural best practices.

**NICHOLAS NG'ANG'A**  
**CHAIRMAN**

17 August 2021

## Consolidated and separate statement of profit or loss and comprehensive income

|   | Notes | 6 Months to<br>30 June 2021<br>Shs'000 | 6 Months to<br>30 June 2020<br>Shs'000 |
|---|-------|--|--|
| <b>Sales</b>  | 3     | 888,949                                | 889,909                                |
| Gain arising from changes in fair value less cost to sell<br>of non current biological assets | 10(i) | 20,569                                 | 18,095                                 |
|   |       | <hr/>                                  | <hr/>                                  |
|   |       | 909,518                                | 908,004                                |
| Cost of sales   |       | (603,523)                              | (645,528)                              |
|   |       | <hr/>                                  | <hr/>                                  |
| <b>Gross profit</b>   |       | 305,995                                | 262,476                                |
| Other income  | 4     | 13,736                                 | 5,580                                  |
| Selling and Distribution costs  | 3     | (66,561)                               | (130,321)                              |
|   |       | <hr/>                                  | <hr/>                                  |
| <b>Operating profit</b>   |       | 253,170                                | 137,735                                |
| Interest income   | 5     | 42,598                                 | 53,558                                 |
| Finance (costs)/income  | 5     | (19,105)                               | 12,824                                 |
|   |       | <hr/>                                  | <hr/>                                  |
| <b>Profit before income tax</b>   |       | 276,663                                | 204,117                                |
| Income tax (expense)/credit   | 6     | (82,025)                               | 68,670                                 |
|   |       | <hr/>                                  | <hr/>                                  |
| <b>Profit for the period</b>  |       | 194,638                                | 272,787                                |
| <b>Other comprehensive income</b>   |       | -                                      | -                                      |
|   |       | <hr/>                                  | <hr/>                                  |
| <b>Total comprehensive income</b>   |       | 194,638                                | 272,787                                |
|   |       | <hr/> <hr/>                            | <hr/> <hr/>                            |
|   |       | <b>Shs</b>                             | <b>Shs</b>                             |
| <b>Earnings per share:</b>  |       |  |  |
| Basic and diluted earnings per ordinary share   | 7     | 9.93                                   | 13.92                                  |
|   |       | <hr/> <hr/>                            | <hr/> <hr/>                            |

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Consolidated statement of financial position

|  | Notes  | 30 June 2021<br>Shs'000 | 30 June 2020<br>Shs'000 | Audited<br>31 December 2020<br>Shs'000 |
|--|--------|-------------------------|-------------------------|--|
| <b>EQUITY</b>                                    |        |                         |                         |  |
| Share capital                                    |        | 98,000                  | 98,000                  | 98,000                                 |
| Other reserves                                   |        | 31,953                  | 31,463                  | 31,953                                 |
| Retained earnings                                |        | 5,278,334               | 5,087,249               | 5,083,696                              |
| Proposed dividend                                |        | -                       | -                       | 352,800                                |
| <b>Total equity</b>                              |        | <b>5,408,287</b>        | <b>5,216,712</b>        | <b>5,566,449</b>                       |
| <b>Non-current liabilities</b>                   |        |                         |                         |  |
| Deferred income tax                              |        | 993,200                 | 833,888                 | 1,003,743                              |
| Post employment benefit obligations              |        | 89,134                  | 80,263                  | 76,354                                 |
| Lease obligations                                |        | 327                     | 352                     | 373                                    |
|  |        | 1,082,661               | 914,503                 | 1,080,470                              |
| <b>Total equity and non current liabilities</b>  |        | <b>6,490,948</b>        | <b>6,131,215</b>        | <b>6,646,919</b>                       |
| <b>REPRESENTED BY</b>                            |        |                         |                         |  |
| <b>Non current assets</b>                        |        |                         |                         |  |
| Property, plant and equipment                    | 9      | 2,964,192               | 2,975,899               | 3,021,989                              |
| Biological assets                                | 10(i)  | 716,184                 | 709,279                 | 728,163                                |
| Right of use assets                              |        | 4,286                   | 4,299                   | 4,335                                  |
| Financial assets held at amortised cost          | 12     | 200,000                 | 200,000                 | 200,000                                |
| Non current receivables                          |        | 34,606                  | 31,189                  | 35,555                                 |
|  |        | 3,919,268               | 3,920,666               | 3,990,042                              |
| <b>Current assets</b>                            |        |                         |                         |  |
| Biological assets – growing agricultural produce | 10(ii) | 574,301                 | 352,091                 | 364,770                                |
| Inventories                                      |        | 900,409                 | 840,786                 | 435,016                                |
| Receivables and prepayments                      |        | 323,707                 | 376,115                 | 427,200                                |
| Current tax recoverable                          |        | -                       | -                       | 19,664                                 |
| Cash and cash equivalents                        |        | 1,198,311               | 1,013,062               | 1,670,124                              |
|  |        | 2,996,728               | 2,582,054               | 2,916,774                              |
| <b>Current liabilities</b>                       |        |                         |                         |  |
| Payables and accrued expenses                    |        | 322,882                 | 331,389                 | 226,607                                |
| Current tax payable                              |        | 68,800                  | 21,471                  | -                                      |
| Post employment benefit obligations              |        | 33,231                  | 18,566                  | 33,231                                 |
| Lease obligations                                |        | 135                     | 79                      | 59                                     |
|  |        | 425,048                 | 371,505                 | 259,897                                |
| <b>Net current assets</b>                        |        | <b>2,571,680</b>        | <b>2,210,549</b>        | <b>2,656,877</b>                       |
|  |        | 6,490,948               | 6,131,215               | 6,646,919                              |

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Separate statement of financial position

|  | Notes  | 30 June 2021<br>Shs'000 | 30 June 2020<br>Shs'000 | 31 December 2020<br>Shs'000 |
|--|--------|-------------------------|-------------------------|-----------------------------|
| <b>EQUITY</b>                                    |        |                         |                         |                             |
| Share capital                                    |        | 98,000                  | 98,000                  | 98,000                      |
| Other reserves                                   |        | 31,953                  | 31,463                  | 31,953                      |
| Retained earnings                                |        | 5,274,193               | 5,083,108               | 5,079,555                   |
| Proposed dividend                                |        | -                       | -                       | 352,800                     |
| <b>Total equity</b>                              |        | <b>5,404,146</b>        | <b>5,212,571</b>        | <b>5,562,308</b>            |
| <b>Non current liabilities</b>                   |        |                         |                         |                             |
| Deferred income tax                              |        | 993,200                 | 833,888                 | 1,003,743                   |
| Post employment benefit obligations              |        | 89,134                  | 80,263                  | 76,354                      |
| Lease obligations                                |        | 327                     | 352                     | 373                         |
|  |        | 1,082,661               | 914,503                 | 1,080,470                   |
| <b>Total equity and non current liabilities</b>  |        | <b>6,486,807</b>        | <b>6,127,074</b>        | <b>6,642,778</b>            |
| <b>REPRESENTED BY</b>                            |        |                         |                         |                             |
| <b>Non current assets</b>                        |        |                         |                         |                             |
| Property, plant and equipment                    | 9      | 2,964,192               | 2,975,899               | 3,021,989                   |
| Biological assets                                | 10(i)  | 716,184                 | 709,279                 | 728,163                     |
| Right of use assets                              |        | 4,286                   | 4,299                   | 4,335                       |
| Investments in subsidiaries                      |        | 4,295                   | 4,295                   | 4,295                       |
| Financial assets held at amortised cost          | 12     | 200,000                 | 200,000                 | 200,000                     |
| Non current receivables                          |        | 34,606                  | 31,189                  | 35,555                      |
|  |        | 3,923,563               | 3,924,961               | 3,994,337                   |
| <b>Current assets</b>                            |        |                         |                         |                             |
| Biological assets – growing agricultural produce | 10(ii) | 574,301                 | 352,091                 | 364,770                     |
| Inventories                                      |        | 900,409                 | 840,786                 | 435,016                     |
| Receivables and prepayments                      |        | 323,707                 | 376,115                 | 427,200                     |
| Current tax recoverable                          |        | -                       | -                       | 19,611                      |
| Cash and cash equivalents                        |        | 1,198,311               | 1,013,062               | 1,670,124                   |
|  |        | 2,996,728               | 2,582,054               | 2,916,721                   |
| <b>Current liabilities</b>                       |        |                         |                         |                             |
| Payables and accrued expenses                    |        | 331,265                 | 339,772                 | 234,990                     |
| Current tax payable                              |        | 68,853                  | 21,524                  | -                           |
| Post employment benefit obligations              |        | 33,231                  | 18,566                  | 33,231                      |
| Lease obligations                                |        | 135                     | 79                      | 59                          |
|  |        | 433,484                 | 379,941                 | 268,280                     |
| <b>Net current assets</b>                        |        | <b>2,563,244</b>        | <b>2,202,113</b>        | <b>2,648,441</b>            |
|  |        | 6,486,807               | 6,127,074               | 6,642,778                   |

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Consolidated statement of changes in equity

|   | Share capital<br>Shs'000         | Other reserves<br>Shs'000         | Retained earnings<br>Shs'000         | Proposed dividend<br>Shs'000         | Total equity<br>Shs'000         |
|---|----------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| <b>Period ended 30 June 2021</b>                  |                                  |                                   |                                      |                                      |                                 |
| At start of year                                  | 98,000                           | 31,953                            | 5,083,696                            | 352,800                              | 5,566,449                       |
| <b>Total comprehensive income for the period:</b> |                                  |                                   |                                      |                                      |                                 |
| Profit for the period                             | -                                | -                                 | 194,638                              | -                                    | 194,638                         |
| Other comprehensive income                        | -                                | -                                 | -                                    | -                                    | -                               |
| <b>Total</b>                                      | <b>-</b>                         | <b>-</b>                          | <b>194,638</b>                       | <b>-</b>                             | <b>194,638</b>                  |
| <b>Transactions with owners:</b>                  |                                  |                                   |                                      |                                      |                                 |
| Dividends:  |                                  |                                   |                                      |                                      |                                 |
| - Final for 2020                                  | -                                | -                                 | -                                    | (352,800)                            | (352,800)                       |
|   | <b>-</b>                         | <b>-</b>                          | <b>-</b>                             | <b>(352,800)</b>                     | <b>(352,800)</b>                |
| At end of period                                  | 98,000                           | 31,953                            | 5,278,334                            | -                                    | 5,408,287                       |
|   | <b>Share capital<br/>Shs'000</b> | <b>Other reserves<br/>Shs'000</b> | <b>Retained earnings<br/>Shs'000</b> | <b>Proposed dividend<br/>Shs'000</b> | <b>Total equity<br/>Shs'000</b> |
| <b>Period ended 30 June 2020</b>                  |                                  |                                   |                                      |                                      |                                 |
| At start of year                                  | 98,000                           | 31,463                            | 4,814,462                            | 274,400                              | 5,218,325                       |
| <b>Total comprehensive income for the period:</b> |                                  |                                   |                                      |                                      |                                 |
| Profit for the period                             | -                                | -                                 | 272,787                              | -                                    | 272,787                         |
| Other comprehensive income                        | -                                | -                                 | -                                    | -                                    | -                               |
| <b>Total</b>                                      | <b>-</b>                         | <b>-</b>                          | <b>272,787</b>                       | <b>-</b>                             | <b>272,787</b>                  |
| <b>Transactions with owners:</b>                  |                                  |                                   |                                      |                                      |                                 |
| Dividends:  |                                  |                                   |                                      |                                      |                                 |
| - Final for 2019                                  | -                                | -                                 | -                                    | (274,400)                            | (274,400)                       |
|   | <b>-</b>                         | <b>-</b>                          | <b>-</b>                             | <b>(274,400)</b>                     | <b>(274,400)</b>                |
| At end of period                                  | 98,000                           | 31,463                            | 5,087,249                            | -                                    | 5,216,712                       |

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Separate statement of changes in equity

|   | Share capital<br>Shs'000 | Other reserves<br>Shs'000 | Retained earnings<br>Shs'000 | Proposed dividend<br>Shs'000 | Total equity<br>Shs'000 |
|---|--------------------------|---------------------------|------------------------------|------------------------------|-------------------------|
| <b>Period ended 30 June 2021</b>                  |                          |                           |                              |                              |                         |
| At start of year                                  | 98,000                   | 31,953                    | 5,079,555                    | 352,800                      | 5,562,308               |
| <b>Total comprehensive income for the period:</b> |                          |                           |                              |                              |                         |
| Profit for the period                             | -                        | -                         | 194,638                      | -                            | 194,638                 |
| Other comprehensive income                        | -                        | -                         | -                            | -                            | -                       |
| <b>Total</b>                                      | -                        | -                         | 194,638                      | -                            | 194,638                 |
| <b>Transactions with owners:</b>                  |                          |                           |                              |                              |                         |
| Dividends:  |                          |                           |                              |                              |                         |
| - Final for 2020                                  | -                        | -                         | -                            | (352,800)                    | (352,800)               |
|   | -                        | -                         | -                            | (352,800)                    | (352,800)               |
| At end of period                                  | 98,000                   | 31,953                    | 5,274,193                    | -                            | 5,404,146               |
| <b>Period ended 30 June 2020</b>                  |                          |                           |                              |                              |                         |
| At start of year                                  | 98,000                   | 31,463                    | 4,810,321                    | 274,400                      | 5,214,184               |
| <b>Total comprehensive income for the period:</b> |                          |                           |                              |                              |                         |
| Profit for the period                             | -                        | -                         | 272,787                      | -                            | 272,787                 |
| Other comprehensive income                        | -                        | -                         | -                            | -                            | -                       |
| <b>Total</b>                                      | -                        | -                         | 272,787                      | -                            | 272,787                 |
| <b>Transactions with owners:</b>                  |                          |                           |                              |                              |                         |
| Dividends:  |                          |                           |                              |                              |                         |
| - Final for 2019                                  | -                        | -                         | -                            | (274,400)                    | (274,400)               |
|   | -                        | -                         | -                            | (274,400)                    | (274,400)               |
| At end of period                                  | 98,000                   | 31,463                    | 5,083,108                    | -                            | 5,212,571               |

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Consolidated and separate statement of cash flows

|  | Notes | 6 months to<br>30 June 2021<br>Shs'000 | 6 months to<br>30 June 2020<br>Shs'000 |
|--|-------|--|--|
| <b>Operating activities</b>                                      |       |  |  |
| Cash utilised by operations                                      | 14    | (56,411)                               | (236,088)                              |
| Interest received  | 5     | 42,598                                 | 53,558                                 |
| Income tax paid  |       | (4,104)                                | (43,492)                               |
|  |       |  |  |
| Net cash used in operating activities                            |       | (17,917)                               | (226,022)                              |
|  |       |  |  |
| <b>Investing activities</b>                                      |       |  |  |
| Purchase of property, plant and equipment                        | 9     | (74,957)                               | (189,996)                              |
| Purchase of biological assets and development                    | 10(i) | (7,065)                                | (5,807)                                |
| Proceeds from disposal of property, plant and equipment          |       | 1                                      | 314                                    |
|  |       |  |  |
| Net cash used in investing activities                            |       | (82,021)                               | (195,489)                              |
|  |       |  |  |
| <b>Financing activities</b>                                      |       |  |  |
| Dividend paid  |       | (352,800)                              | (274,400)                              |
| Lease payments   |       | (3)                                    | (13)                                   |
|  |       |  |  |
| Net cash used in financing activities                            |       | (352,803)                              | (274,413)                              |
|  |       |  |  |
| <b>Decrease in cash and cash equivalents</b>                     |       | (452,741)                              | (695,924)                              |
|  |       |  |  |
| <b>Movement in cash and cash equivalents</b>                     |       |  |  |
| At start of year   |       | 1,670,124                              | 1,696,130                              |
| Decrease   |       | (452,741)                              | (695,924)                              |
| Effect of exchange rate differences on cash and cash equivalents | 5     | (19,072)                               | 12,856                                 |
|  |       |  |  |
| At end of period   | 11    | 1,198,311                              | 1,013,062                              |
|  |       |  |  |

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Notes

### 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.

### 2. Basis of preparation and changes to the Group's accounting policies

#### 2.1 Basis of preparation

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

These unaudited interim consolidated and company financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's last annual consolidated and company financial statements as at and for the year ended 31 December 2020 ('last annual financial statements'). Selected explanatory notes are included to explain events and transactions that are significant for an understanding of the changes in the Group's financial position and performance since the last annual financial statements. Where necessary, comparative figures have been adjusted to conform with presentation in the current year.

The Consolidated and Company statement of profit or loss and other comprehensive income are presented as one and the same since the subsidiaries are dormant and did not have any transactions during the period.

#### 2.2 Use of judgements and estimates

In preparing these interim consolidated and company financial statements, the Directors have made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

#### 2.3 New standards, interpretations and amendments adopted by the Group.

The accounting policies adopted in the preparation of the interim consolidated and company financial statements are consistent with those followed in the preparation of the last annual financial statements, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

## Notes (continued)

### 2.3 New standards, interpretations and amendments adopted by the Group (continued)

- 2.4 Costs that incur unevenly during the financial year are anticipated or deferred in the interim only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.
- 2.5 Income tax expense is recognised based on the annual income tax rate expected for the full financial year. The annual tax rate used for 2021 is 30% (2020 was 25%).

### 3. Segmental reporting - Group

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

The Group operates in two geographical areas, Makuyu and Nandi Hills, under several operating segments. The principal operating segments currently consist of Avocados, Macadamia, Tea and Forestry. The business activities of livestock, joint projects and blueberries are included under “all other segments” as they individually fall below the threshold of 10% of Group sales.

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

Notes (continued)

3. Segmental reporting (continued)

The segment information for the reportable segments for the six months period ended 30 June 2021 and 30 June 2020 is as follows:

|                                    | 2021<br>Tea<br>Shs'000 | 2020<br>Shs'000 | 2021<br>Avocados<br>Shs'000 | 2020<br>Shs'000 | 2021<br>Macadamia<br>Shs'000 | 2020<br>Shs'000 | 2021<br>Forestry<br>Shs'000 | 2020<br>Shs'000 | 2021<br>All other segments<br>Shs'000 | 2020<br>Shs'000 | 2021<br>Consolidated<br>Shs'000 | 2020<br>Shs'000 |
|------------------------------------|------------------------|-----------------|-----------------------------|-----------------|------------------------------|-----------------|-----------------------------|-----------------|---------------------------------------|-----------------|---------------------------------|-----------------|
| <b>Sales to external customers</b> |                        |                 |                             |                 |                              |                 |                             |                 |                                       |                 |                                 |                 |
| Sales                              | 107,664                | 131,066         | 166,242                     | 334,385         | 396,278                      | 259,205         | 153,243                     | 152,616         | 65,522                                | 12,637          | 888,949                         | 889,909         |
| <b>Comprising</b>                  |                        |                 |                             |                 |                              |                 |                             |                 |                                       |                 |                                 |                 |
| Major external customers sales     | 107,664                | 131,066         | 137,253                     | 291,255         | 385,383                      | 247,602         | -                           | -               | -                                     | -               | 630,300                         | 669,923         |
| All other external customers sales | -                      | -               | 28,989                      | 43,130          | 10,895                       | 11,603          | 153,243                     | 152,616         | 65,522                                | 12,637          | 258,649                         | 219,986         |
|                                    | 107,664                | 131,066         | 166,242                     | 334,385         | 396,278                      | 259,205         | 153,243                     | 152,616         | 65,522                                | 12,637          | 888,949                         | 889,909         |
| <b>Sales to:</b>                   |                        |                 |                             |                 |                              |                 |                             |                 |                                       |                 |                                 |                 |
| UK & Continental Europe            | -                      | -               | 137,253                     | 291,255         | 385,383                      | 247,602         | -                           | -               | -                                     | -               | 522,636                         | 538,857         |
| Kenya                              | 107,664                | 131,066         | 28,989                      | 43,130          | 10,895                       | 11,603          | 153,243                     | 152,616         | 65,522                                | 12,637          | 366,313                         | 351,052         |
|                                    | 107,664                | 131,066         | 166,242                     | 334,385         | 396,278                      | 259,205         | 153,243                     | 152,616         | 65,522                                | 12,637          | 888,949                         | 889,909         |

**Notes (continued)**

**3. Segmental reporting (continued)**

|  | 2021      | 2020     | 2021      | 2020      | 2021      | 2020      | 2021     | 2020    | 2021               | 2020      | 2021         | 2020      |
|--|-----------|----------|-----------|-----------|-----------|-----------|----------|---------|--------------------|-----------|--------------|-----------|
|  | 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   |
| <b>Profit/(loss)</b>   |           |          |           |           |           |           |          |         |                    |           |              |           |
| Gross profit/(loss) before depreciation and fair value changes in non-current biological assets and intersegmental purchases | (16,184)  | (3,292)  | 416,073   | 432,668   | 303,369   | 223,774   | 38,124   | 34,765  | (27,350)           | (27,407)  | 714,032      | 660,508   |
| Intersegmental purchases   | -         | -        | (5,417)   | -         | -         | -         | 5,417    | -       | -                  | -         | -            | -         |
| Depreciation charge  | (8,234)   | (7,968)  | (55,930)  | (53,391)  | (41,375)  | (40,910)  | (3,508)  | (3,423) | (23,609)           | (21,581)  | (132,656)    | (127,273) |
| Changes in fair value of non-current biological assets   | -         | -        | -         | -         | -         | -         | -        | -       | 20,569             | 18,095    | 20,569       | 18,095    |
| <b>Gross profit/(loss)</b>   | (24,418)  | (11,260) | 354,726   | 379,277   | 261,994   | 182,864   | 40,033   | 31,342  | (30,390)           | (30,893)  | 601,945      | 551,330   |
| Selling and Distribution costs   | -         | -        | (41,232)  | (118,039) | (25,329)  | (12,282)  | -        | -       | -                  | -         | (66,561)     | (130,321) |
| Segment profit/(loss)  | (24,418)  | (11,260) | 313,494   | 261,238   | 236,665   | 170,582   | 40,033   | 31,342  | (30,390)           | (30,893)  | 535,384      | 421,009   |
| Other income   | 2,481     | 3,310    | -         | -         | -         | -         | -        | -       | 11,255             | 2,270     | 13,736       | 5,580     |
| Interest and other income  | -         | -        | -         | -         | -         | -         | -        | -       | 42,597             | 53,558    | 42,597       | 53,558    |
| Finance costs  | -         | -        | -         | -         | -         | -         | -        | -       | (19,105)           | 12,824    | (19,105)     | 12,824    |
| Unallocated admin expenditure  | -         | -        | -         | -         | -         | -         | -        | -       | (295,949)          | (288,854) | (295,949)    | (288,854) |
| Profit/(loss) before income tax  | (21,937)  | (7,950)  | 313,494   | 261,238   | 236,665   | 170,582   | 40,033   | 31,342  | (291,592)          | (251,095) | 276,663      | 204,117   |
| Income tax expense   | 6,504     | (2,675)  | (92,947)  | 87,888    | (70,168)  | 57,389    | (11,869) | 10,544  | 86,455             | (84,476)  | (82,025)     | 68,670    |
| Profit/(loss) for the period   | (15,433)  | (10,625) | 220,547   | 349,126   | 166,497   | 227,971   | 28,164   | 41,886  | (205,137)          | (335,571) | 194,638      | 272,787   |
| <b>Assets (all located in Kenya)</b>   |           |          |           |           |           |           |          |         |                    |           |              |           |
| Segment assets   | 1,091,198 | 991,601  | 2,360,100 | 2,135,891 | 1,467,100 | 1,409,485 | 568,910  | 505,278 | 571,442            | 458,008   | 6,058,750    | 5,500,263 |
| Unallocated assets   |           |          |           |           |           |           |          |         |                    |           | 857,246      | 1,002,457 |
|  |           |          |           |           |           |           |          |         |                    |           | 6,915,996    | 6,502,720 |
| <b>Liabilities</b>   |           |          |           |           |           |           |          |         |                    |           |              |           |
| Segment liabilities  | 95,878    | 63,295   | -         | -         | -         | -         | -        | -       | -                  | -         | 95,878       | 63,295    |
| Unallocated liabilities  |           |          |           |           |           |           |          |         |                    |           | 1,411,831    | 1,222,713 |
|  |           |          |           |           |           |           |          |         |                    |           | 1,507,709    | 1,286,008 |
| <b>Additions</b>   |           |          |           |           |           |           |          |         |                    |           |              |           |
| Property, plant and equipment  | 1,236     | 6,532    | 5,842     | 82,821    | -         | 53,074    | 14,834   | 64      | 53,045             | 47,505    | 74,957       | 189,996   |
| Biological assets  | 783       | 863      | -         | -         | -         | -         | 5,842    | 4,944   | 440                | -         | 7,065        | 5,807     |
|  | 2,019     | 7,395    | 5,842     | 82,821    | -         | 53,074    | 20,676   | 5,008   | 53,485             | 47,505    | 82,022       | 195,803   |

**Notes (continued)**

|   | <b>6 months to<br/>30 June 2021<br/>Shs'000</b> | <b>6 months to<br/>30 June 2020<br/>Shs'000</b> |
|---|---|---|
| <b>4. Other income/(losses) – Group and company</b>   |   |   |
| Net foreign exchange losses, other than on cash and cash equivalents  | (884)   | (400)   |
| (Loss)/gain on disposal of property, plant and equipment  | (97)  | 256   |
| Rental income   | 2,560   | 2,130   |
| Avocado and macadamia seedling sales  | 8,344   | -   |
| Sundry  | 3,813   | 3,594   |
|   | 13,736  | 5,580   |
|   | 13,736  | 5,580   |
| <b>5. Interest income and finance income/(costs) – Group and company</b>  |   |   |
| <b>Interest income</b>  |   |   |
| Interest income on short term bank deposits   | 42,598  | 53,558  |
|   | 42,598  | 53,558  |
|   | 42,598  | 53,558  |
| <b>Finance (costs)/income</b>   |   |   |
| Net foreign exchange (loss)/gain on cash and cash equivalents   | (19,072)  | 12,856  |
| Interest on lease liabilities   | (33)  | (32)  |
|   | (19,105)  | 12,824  |
|   | (19,105)  | 12,824  |
| <b>6. Income tax – Group and company</b>  |   |   |
| Income tax expense is recognised based on the annual income tax rate expected for the full financial year. The annual tax rate used for 2021 is 30% (2020: 25%).                                      |   |   |
| Current income tax (expense)  | (92,568)  | (29,608)  |
| Deferred income tax credit  | 10,543  | 98,278  |
|   | (82,025)  | 68,670  |
|   | (82,025)  | 68,670  |
| <b>7. Basic and diluted earnings per ordinary share</b>   |   |   |
| Basic and diluted earnings per ordinary share are calculated on the profit attributable to the members of Kakuzi Plc and on the 19,599,999 ordinary shares in issue at 30 June 2021 and 30 June 2020. |   |   |
| The Company had no potentially dilutive ordinary shares outstanding at 30 June 2021 or 30 June 2020.  |   |   |
| <b>8. Dividend</b>  |   |   |
| The directors do not recommend the payment of an interim dividend (2020: Nil).  |   |   |

**Notes (continued)**

**9. Capital expenditure – Group and Company**

|                                      | <b>30 June 2021</b><br><b>Shs'000</b> | <b>30 June 2020</b><br><b>Shs'000</b> |
|--------------------------------------|---------------------------------------|---------------------------------------|
| <b>Property, plant and equipment</b> |                                       |                                       |
| Opening net book value – 1 January   | 3,021,989                             | 2,913,234                             |
| Capital expenditure – additions      | 74,957                                | 189,996                               |
| Disposals                            | (98)                                  | (58)                                  |
| Depreciation                         | (132,656)                             | (127,273)                             |
| Closing net book value – 30 June     | <u>2,964,192</u>                      | <u>2,975,899</u>                      |

**10. Biological assets – Group and Company**

**(i) Non current biological assets**

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

|  | <b>Livestock</b><br><b>Shs'000</b> | <b>Group</b><br><b>Plantations</b><br><b>Shs'000</b> | <b>Total</b><br><b>Shs'000</b> |
|--|------------------------------------|--|--------------------------------|
| <b>Period ended 30 June 2021</b>                           |                                    |  |                                |
| At 1 January 2021  | 145,664                            | 582,499  | 728,163                        |
| Increase due to purchases and development                  | 440                                | 6,625  | 7,065                          |
| Gain arising from changes in fair value less costs to sell | 20,569                             | -  | 20,569                         |
| Decrease due to harvest and sales                          | (23,698)                           | (15,915)   | (39,613)                       |
| <b>At 30 June 2021</b>                                     | <u>142,975</u>                     | <u>573,209</u>                                       | <u>716,184</u>                 |
| <b>Period ended 30 June 2020</b>                           |                                    |  |                                |
| At 1 January 2020  | 145,076                            | 570,300  | 715,376                        |
| Increase due to purchases and development                  | -                                  | 5,807  | 5,807                          |
| Gain arising from changes in fair value less costs to sell | 18,095                             | -  | 18,095                         |
| Decrease due to harvest and sales                          | (14,752)                           | (15,247)   | (29,999)                       |
| <b>At 30 June 2020</b>                                     | <u>148,419</u>                     | <u>560,860</u>                                       | <u>709,279</u>                 |

**(ii) Current biological assets i.e growing agricultural produce**

Growing agricultural produce on bearer plants as at the reporting date

|             | <b>30 June 2021</b><br><b>Shs'000</b> | <b>30 June 2020</b><br><b>Shs'000</b> |
|-------------|---------------------------------------|---------------------------------------|
| Avocado     | 401,634                               | 320,777                               |
| Macadamia   | 165,500                               | 29,229                                |
| Blueberries | 5,602                                 | -                                     |
| Tea         | 1,565                                 | 2,085                                 |
|             | <u>574,301</u>                        | <u>352,091</u>                        |

The gain arising from changes in fair value of the growing agricultural produce on bearer plants is included within cost of production.

**Notes (continued)**

**11. Cash and cash equivalents – Group and Company**

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

|                          | <b>30 June 2021</b><br><b>Shs'000</b> | <b>30 June 2020</b><br><b>Shs'000</b> |
|--------------------------|---------------------------------------|---------------------------------------|
| Cash at bank and in hand | 17,986                                | 133,674                               |
| Short term deposits      | 1,180,325                             | 879,388                               |
|                          | <hr/>                                 | <hr/>                                 |
|                          | 1,198,311                             | 1,013,062                             |
|                          | <hr/> <hr/>                           | <hr/> <hr/>                           |

**12. Financial assets held at amortised cost – Group and Company**

|                        | <b>30 June 2021</b><br><b>Shs'000</b> | <b>30 June 2020</b><br><b>Shs'000</b> |
|------------------------|---------------------------------------|---------------------------------------|
| At start of the year   | 200,000                               | 200,000                               |
| Redeemed in the period | -                                     | -                                     |
|                        | <hr/>                                 | <hr/>                                 |
| At end of period       | 200,000                               | 200,000                               |
|                        | <hr/> <hr/>                           | <hr/> <hr/>                           |
| Non current portion    | 200,000                               | 200,000                               |
| Current portion        | -                                     | -                                     |
|                        | <hr/>                                 | <hr/>                                 |
|                        | 200,000                               | 200,000                               |
|                        | <hr/> <hr/>                           | <hr/> <hr/>                           |

**13. Capital commitments – Group and Company**

|  | <b>30 June 2021</b><br><b>Shs'000</b> | <b>30 June 2020</b><br><b>Shs'000</b> |
|--|---------------------------------------|---------------------------------------|
| Capital expenditure contracted for at the statement of financial position date but not recognised in the consolidated interim financial statements is as follows:- |                                       |                                       |
| Property, plant and equipment  | 49,237                                | 17,906                                |
|  | <hr/>                                 | <hr/>                                 |
|  | 49,237                                | 17,906                                |
|  | <hr/> <hr/>                           | <hr/> <hr/>                           |

**Notes (continued)**

**14. Cash generated from operations – Group and Company**

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

|  | <b>Notes</b> | <b>6 months to<br/>30 June 2021<br/>Shs'000</b> | <b>6 months to<br/>30 June 2020<br/>Shs'000</b> |
|--|--------------|---|---|
| Profit before income tax   |              | 276,663   | 204,117   |
| Adjustments for:   |              |   |   |
| Interest income  | 5            | (42,598)  | (53,558)  |
| Net exchange loss/(gain) on foreign currency cash and cash equivalents                     | 5            | 19,072  | (12,856)  |
| Depreciation   | 9            | 132,656   | 127,273   |
| Loss/(profit) on sale of property, plant and equipment                                     |              | 97  | (256)   |
| Depreciation of right of use assets  |              | 49  | 482   |
| Interest costs on adoption of IFRS 16  | 5            | 33  | 32  |
| Gain arising from changes in fair value less cost to sell of non current biological assets | 10(i)        | (20,569)  | (18,095)  |
| Decrease in fair value of biological assets due to sales and harvest and disposal          | 10(i)        | 39,613  | 29,999  |
| Fair value movement in biological assets – growing agricultural produce                    |              | (209,531)                                       | (132,112)                                       |
| Changes in working capital:  |              |   |   |
| - Increase in inventories (including fair value movement in biological assets)             |              | (465,393)                                       | (439,093)                                       |
| - Decrease/(increase) in receivables and prepayments                                       |              | 104,442   | (97,462)  |
| - Increase in payables and accrued expenses  |              | 96,275  | 149,678   |
| - Increase in post employment benefit obligations  |              | 12,780  | 5,763   |
|  |              | <hr/>   | <hr/>   |
| Cash utilised by operations  |              | (56,411)  | (236,088)                                       |
|  |              | <hr/> <hr/>                                     | <hr/> <hr/>                                     |

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