

**KAKUZI PLC**

**ANNUAL REPORT AND AUDITED CONSOLIDATED AND SEPARATE  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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## **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 (Appointed 31 October 2020)
Mr. C J Flowers*	Managing Director
Mr. G H Mclean*	Chairman (Stepped down 31 October 2020)
Mr. K R Shah	
Mr. K W Tarplee*	(Deceased 13 February 2020)
Mr. D M Ndonge	
Mr. S N Waruhiu	
Mr. A N Njoroge	
Dr. J K Kimani	(Appointed 01 November 2020)

\* British

## **REGISTERED OFFICE**

Main Office  
Punda Milia Road, Makuyu  
P O Box 24  
01000 THIKA  
Telephone (060) 2033012  
E-mail: mail@kakuzi.co.ke

## **REGISTRARS**

Custody & Registrars Services Limited  
Bruce House, 6th Floor  
Standard Street  
P O Box 8484  
00100 NAIROBI  
Telephone (020) 2230242  
Facsimile (020) 2211773

## **SUBSIDIARY COMPANIES**

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

## **AUDITOR**

Deloitte & Touche  
Deloitte Place  
Waiyaki Way, Muthangari  
P. O. Box 40092  
00100 NAIROBI

## **SECRETARY**

John L G Maonga  
Maonga Ndonge 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.

Kakuzi Plc  
Notice of Annual General Meeting

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**NOTICE** is hereby given that the Ninety Third Annual General Meeting of the Members of the Company will be held via electronic means on Tuesday, 18<sup>th</sup> May 2021 at 12.00 noon for the following purposes:-

1. To read the notice convening the meeting.
2. To table the proxies and confirm the presence of a quorum.
3. To approve the minutes of the Ninety Second Annual General Meeting held on 9<sup>th</sup> June 2020.
4. To receive, consider and adopt the Financial Statements for the year ended 31 December 2020 together with the reports of the Chairman, the Directors and the Independent Auditors thereon.
5. To declare a first and final dividend of Shs. 18.00 per ordinary share (2019: Shs 14.00) for the Financial Year ended 31 December 2020.
6. To approve the Remuneration Report of the Board as detailed in the Annual Report for the Financial Year ended 31 December 2020.
7. To re-elect Directors:-
  - i) Mr Nicholas Ngang'a, a Director who is over seventy years old, 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 Andrew Ndegwa Njoroge, 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) Dr John K Kimani, retires in accordance with Article 26 (5) of the Company's Articles of Association and in accordance with the provisions of clause 2.5.1 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. Special Notice having been received proposing for his re-election pursuant to Section 287 of the Companies Act, 2015, he offers himself for re-election.
8. In accordance with the 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 M Ndonye
  - b) Mr Stephen N Waruhiu
  - c) Mr Andrew N Njoroge
9. To re-appoint Messrs Deloitte & Touche 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**

18 March 2021

**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.

**Note: Shareholders will be able to register to follow the meeting, vote electronically or by proxy and may ask questions in advance of the Annual General meeting in the manner detailed under 'Virtual AGM 2021 Instructions' on the Company's website: [www.kakuzi.co.ke/investor-relations/regulatory-news](http://www.kakuzi.co.ke/investor-relations/regulatory-news). Registration for the AGM will open on Friday, 7<sup>th</sup> May 2021 at 9.00 a.m and will close on Friday, 14<sup>th</sup> May 2021 at 12.00 noon. Shareholders will not be able to register after Friday 14<sup>th</sup> May, 2021 at 12.00 noon.**

## **RESULTS**

The Company achieved robust results for the year, despite the uncertainty in our main sales markets caused by the COVID-19 Pandemic, with a pre-tax profit of Shs 848 million against Shs 1,014 million last year.

Both avocado and macadamia export volumes were higher than 2019 but these were not sufficient to mitigate a significant reduction of 34% in the price of avocados. The market prices in 2019 were at record levels whilst 2020's prices were more in line with medium term average. The contribution to the overall results by macadamia and sales of wood products was encouraging and reflects the benefits of having a diversified product portfolio. The significant increase in tea production in Kenya (569 million kg v 458 million kg in 2019) has impacted negatively on price levels and consequently the profitability for this crop.

The results also include the cost of the Company defending itself from a UK law firm who wished to bring Kakuzi into the jurisdiction of the United Kingdom. As previously announced, Kakuzi was dropped as a party to the UK proceedings in July 2020.

## **DIVIDEND**

Cash reserves are strong and we remain in a good position to meet our strategic goals. Your Board recommends an increase in the dividend per share to Shs 18.00, compared to Shs 14.00 in 2019.

## **OVERVIEW**

Notwithstanding the current challenges, our development strategies remain on track, not only to complete our agricultural expansions but also to continue our sustainability journey. I am proud to have launched our first ever Environment, Social, Governance Report, titled 'Our steps towards sustainability and responsibility.' This report provides a fantastic insight into our operations and specifically our commitment to upholding various United Nations Sustainable Development Goals.

Our agricultural operations performed well despite the challenging environment caused by the Pandemic. The operations were all modified to incorporate social distancing measures, the wearing of face masks and frequent hand cleaning as well as people working from home wherever possible. Despite these challenges we were still able to produce, process and deliver our products to the market with little disruption. For this we are extremely grateful to all our employees for their commitment and dedication during these difficult times. It is important to also thank the many National and County Government bodies which worked tirelessly to allow businesses like ours to keep on running, providing employment and contributing positively to the economy.

We were also able to continue with our economic empowerment commitment to the many small holders who we purchase fruit from. A total of Ksh 58 million (85% of the net returns) was paid out to farmers in December 2020.

All markets have been impacted by the Pandemic but given the significant developments in vaccines and their roll out we hope that 2021 will see a more stable situation develop, however these dynamics are almost impossible to predict.

## **OPERATIONS**

The Pandemic created significant disruption in our main European markets with the almost complete closure of the Food Service sector. Despite this, demand for avocados remained resilient through the retail sector and was able to absorb the very high volumes which arrived in Europe from all origins, albeit at reduced price levels.

On the back of exceptionally high rainfall our avocado export volumes were 27% up on 2019. Cold chain logistics also operated well during the season despite the enormous challenges that the Pandemic placed on these at times.

### **OPERATIONS (continued)**

Macadamia exports continue to grow as the orchards mature and were 30% greater than 2019. Demand for macadamias was however negatively impacted by the Pandemic with our key markets experiencing a considerable downturn in sales. It is likely that the impact of this will be felt for a period of time to come while the international markets absorb the high kernel stocks created by these reduced sales.

Local sales of wood products, blueberries and beef were reasonable in the year. There is a growing demand for super foods, such as blueberries, within the East African market and we will continue to explore this opportunity in the coming year.

Another strong performance was recorded by our forestry department. The demand for sustainably grown timber and poles is high which is encouraging and demonstrates the importance of sustainable forestry resources for Kenya.

Our arable operations produced a significant amount of quality hay, predominately for local dairy farmers, with demand outstripping supply. We will continue to expand these plantings to keep up with this demand. On the downside however, beef and other wood product sales were inevitably disrupted by the Pandemic as customer numbers for both our butchery and our other sales outlets fell.

Tea prices again were under severe pressure as record volumes were produced and exported from Kenya.

### **GOVERNANCE**

The allegations which have received wide media coverage over the last 6 months were shocking to us all and as stated previously, these are not matters which we take lightly.

As stated in October 2020 Kakuzi began the development of an Operational-Level Grievance Mechanism (OGM) to enhance the timely and sensitive resolution to grievances that any of our employees stakeholders may have with Kakuzi. The OGM will be fully compliant with UN Guiding Principles on Business and Human Rights, and will be a fair, transparent and independent means to resolve any complaints of personal injuries connected to Kakuzi's operations. The OGM is being developed in extensive consultation with local communities. An independent, internationally recognized Human Rights consultancy organization will take the lead on this.

In addition, Kakuzi has engaged independent experts to conduct a comprehensive Human Rights Impact Assessment of Kakuzi's operations, so that local communities and commercial partners can have confidence in Kakuzi's commitment to, and attainment of, the highest standards of business and Human Rights.

The Board is well advanced in establishing a high level Independent Human Rights Advisory Committee (IHRAC) whose role will be to provide independent advice to the Board on matters relating to Human Rights and governance structures. We believe the combination of all these measures is a clear demonstration of our commitment to adopt the highest standards possible in our operations.

### **CORPORATE SOCIAL INVESTMENT (CSI) AND SUSTAINABILITY**

Our commitment to ethical and sustainable production of quality agricultural products continues and we thank all of our employees, surrounding communities, development partners and all the other stakeholders for their continued support.

Kakuzi is a signatory to UN Women with a view to supporting the principles of women empowerment. In addition, we continue to have a mutually beneficial membership to the United Nations Global Compact (UNGC) whose principles on Human Rights, Environment, Labour relations and Anti-corruption are reflected in our CSI activities.

As stated in our Environmental Social and Governance (ESG) report our focus is on six of the United Nations Sustainable Development Goals (SDG's), to include; Good Health and Wellbeing, Quality Education, Gender Equality, Clean Water and Sanitation, Decent Work and Economic Growth and on Climate Action.

### **CORPORATE SOCIAL INVESTMENT (CSI) AND SUSTAINABILITY (continued)**

With respect to the goals regarding Quality Education for all, we have invested in various learning facilities through the refurbishing of classrooms, constructing sanitation blocks, provision of school desks and the installation of clean drinking water projects for learners. To assist our employee's children when the schools were closed, we purchased radios which allowed them to access education through the school radio programs broadcasted by The Kenya Institute of Curriculum Development.

In line with our commitment to Gender Equality our programs on the Sexual Harassment Awareness Reporting and Prevention (SHARP) and our menstrual hygiene program, Tabasamu, have featured strongly in our training programs for all employees as well as our donation initiatives to community members. Kakuzi also won the 2020 prestigious international SEDEX Award for the best Health and Safety programs of all the suppliers world-wide accredited under this scheme.

<https://www.sedex.com/winners-of-the-sedex-responsible-business-awards-announced/>

Expanding our community linkages is of great importance to our operations. To this end we contracted three Community Liaison Officers to enhance our communication links between the community and the Company. We have received positive feedback in this regard.

In keeping with the Company's principles, we reacted to the COVID-19 Pandemic in various ways from establishing measures to protect our employees to strengthening our community support strategies. Such initiatives included providing ICU beds, medical monitors, medical equipment to the County Government hospital, food donations to the needy, the provision of more school desks to allow for better social distancing in numerous schools and providing clean water for hand washing in many trading centres. To protect our employees the Company instituted a comprehensive daily health screening system as well as providing sanitisers, hand washing facilities and face masks in all of our work settings. These measures remain in place.

### **STRATEGIC GOALS & DEVELOPMENTS**

The income diversification strategy is now beginning to show clear results. Avocados, macadamia nuts and wood products are all strong contributors to the business performance. We hope in time that the blueberry venture will add a fourth component to this strategy.

During the year we continued with our avocado plantings with an additional 85 ha planted. Irrigation developments in both macadamia and avocados were undertaken which is a key part of our strategy to mitigate the risk of adverse weather.

The upgraded avocado pack house was also successfully commissioned which now doubles our processing capacity and will be sufficient to cope with increasing crop levels for many years to come. Exploring the use of new technology is also of key importance in our macadamia cracking facility to ensure the highest standards of products are packed.

We are looking to diversify our livestock operations through a combination of beef cattle and goat production to answer the demands of many local businesses surrounding our operations. Goat rearing will be trialled in 2021 and if successful will be expanded.

Our small holder avocado economic empowerment program is yielding good results and this will continue with the objective of getting greater market access for this fruit. Training and technology transfer is key and our staff are keenly focused on this task. For Kenya to correctly take its position as a world leader in avocado production we must continue to train farmers on what the markets demand from them.

### **STAFF**

Our commitment to developing staff at all levels continues. As our operations grow, so does our need for skilled graduates to manage and provide innovation to our practices. We continue to recruit and develop our staff to meet the challenges of the complex operations at Kakuzi and as these operations grow they bring much needed employment opportunities for our surrounding communities. On average last year we employed 2,600 people per day which amounted to 750,000 employee days in the year.

### **STAFF (continued)**

To assist in protecting our workforce from COVID-19, we employ a team of 13 Public Health Officers who on a daily basis are tasked to interact with workers, perform health checks, and provide invaluable advice on the compliance with public health regulations within all the Company's housing and processing units.

I would like to thank the whole team for their efforts especially in keeping all of our employees as safe as they could be during this difficult time.

### **BOARD ANNOUNCEMENTS**

As announced on the 1<sup>st</sup> November 2020, Mr Nicholas Ng'ang'a was appointed Chairman of the Board taking over from Mr Graham Mclean who stepped down from this position after 4 years but will continue his membership of the Board as a non-executive Director. We would like to thank Mr Mclean sincerely for his wise and able leadership over the years.

We were also fortunate to welcome Dr John Kimani as a new member of the Board. Dr Kimani brings to the Board extensive knowledge and experience in the agricultural field and we trust that the Board and the Company will greatly benefit from his contribution.

### **LOOKING AHEAD**

The continued crisis in the world caused by COVID-19 will have an impact on this coming year but hopefully not to the same devastating levels as 2020.

Consumer demands are, quite rightly, becoming more focussed on transparency in the supply chain as are the key issues of sustainability and quality. We not only have to uphold these values but actively demonstrate that we are achieving them.

In addition, Kakuzi has engaged independent experts to conduct a comprehensive Human Rights Impact Assessment of Kakuzi's operations, so that local communities and commercial partners can have confidence in Kakuzi's commitment to, and attainment of, the highest standards of business and Human Rights.

Our commitment to our custodial philosophy will only be strengthened by the measures we have implemented as outlined above.

We seek to continuously evolve in all aspects of our operations, from using technology to reduce our carbon footprint, to the diversity of our crops and equally as importantly in our Community Social Investment programs.

Commodity prices are impossible to predict and given the complexities of the international markets any attempt to project results for the year ahead would be futile.

The past year has posed some very significant challenges for the Company and I would like to thank the Management and all Board Members for the professionalism, leadership and fortitude in which they have handled this situation.

Kakuzi remains committed to our core values of acting honestly, fairly, with integrity and respect for the community and all of our other stakeholders.



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

18 March 2021



The Directors submit their report together with the audited Financial Statements for the year ended 31 December 2020, 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.

## **BUSINESS REVIEW**

A review of the business of the Group is incorporated within the Chairman’s statement on pages 5 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 622,034,000 (2019: Shs 713,439,000) has been added to retained earnings. The Directors recommend the approval of a first and final dividend of Shs 18.00 (2019: Shs 14.00) per ordinary share.

The results for the year are set out on pages 27 to 79 in the attached Financial Statements.

## **ANNUAL GENERAL MEETING**

The Ninety Third Annual General Meeting of the Company will be held in the Ballroom at Nairobi Serena Hotel, Nairobi on Tuesday, 18<sup>th</sup> May 2021 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 3.

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

	At 31 December 2020		At 31 December 2019	
	Beneficial Ordinary shares	Non- Beneficial Ordinary shares	Beneficial Ordinary shares	Non- beneficial Ordinary shares
Mr. K W Tarplee (Deceased 13 February 2020)	-	75	-	75
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	6,330,699	-	6,311,199	-

Mr Nicholas Ngang'a, a Director who is over seventy years old, 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 Andrew Ndegwa Njoroge, 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.

Dr John K Kimani, retires in accordance with Article 26 (5) of the Company's Articles of Association and in accordance with the provisions of clause 2.5.1 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. Special Notice having been received proposing for his re-election pursuant to Section 287 of the Companies Act, 2015, he offers himself for re-election.

In accordance with the 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 M Ndonye
- b) Mr Stephen N Waruhiu
- c) Mr Andrew N 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, 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**

18 March 2021

Kakuzi Plc  
Statement of Directors' Responsibilities  
For the year ended 31 December 2020

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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 18 March 2021 and signed on its behalf by:



**K R SHAH**  
**DIRECTOR**



**C J FLOWERS**  
**DIRECTOR**

The Board and Management of the Group recognise that effective corporate governance is central to the prudent direction and operation of the Group in a manner that ultimately enhances shareholder value and satisfies the interests of other stakeholders. This statement outlines the Group's approach toward corporate governance policies and practices.

The Group's corporate governance practices and policies have been developed under the stewardship of the Board in response to evolving laws and best practices, including the guidelines issued by The Capital Markets Authority, The Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 (the Code) and other global best practices.

Following the issuance of the Code, the Board embarked on tracking the implementation of the guidelines and recommendations therein. 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 Governance Auditor last audit was undertaken for the year 2019. The next audit is planned for year 2021.

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. Areas that have yet to be implemented are highlighted in the various sections below. 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, Camellia Plc.

### **Board Size, Composition 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 independent non-executive Directors. Of the remaining Directors, two are executive, and three are non-executive, including a non-executive Chairman. The independent and other non-executive Directors constitute over two-thirds of the Board. The Directors' abridged biographies appear on the Group's website, and the names of the Directors are listed on page 3 of this Annual Report.

The non-executive Directors are independent of management. Their role is to advise, constructively challenge and monitor the success of management in delivering the agreed strategy within the risk appetite and control framework that is set by the Board.

Based on the size, complexity and governance needs of the Group, the current Board size is considered sufficient. The size of the Board has conformed to the applicable legal and regulatory frameworks.

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. Any Director appointed during the year is required to retire and seek re-election at the next Annual General Meeting.

A review of the other listed Group 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.

### Board Responsibilities

- 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 Diversity

The Board is well composed in terms of the range and diversity of skills, experience and technical knowledge and has an appropriate balance of executive, non - executive and independent Directors. The Board recognises that opportunities exist to consider diversity upon future retirements of non-executive Directors as per the governance guidelines.

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 – <b>Independent Director</b>	Accountant	29 November 2012
Mr Stephen Waruhiu – <b>Independent Director</b>	Valuer and Estate Agent	29 November 2012
Mr Andrew Ndegwa Njoroge — <b>Independent Director</b>	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

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

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.

### Directors' Shareholding

Directors interest in the share capital of the Company are listed in the Report of the Directors on page 10 of this Annual report.

### Board Policies

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.

### **Board Policies (continued)**

The Board has established several 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 - provides the roles and responsibilities of the Board.
- Remuneration Policy - provides guidelines and criteria of Board compensation, attraction and retention.
- Code of Conduct and Ethics of Directors - provides guidance to directors to help them recognise and deal with ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty and accountability. The staff have a separate Code of Conduct and Ethics policy.
- Conflict of Interest - the Code of Conduct and Ethics contains guidance on conflict of interest.
- Corporate Social Responsibility (CSR) Policy - includes purpose, strategies, guiding principles, partnership focus, and reporting by the Group with respect to CSR as well as the roles and responsibilities of the Board and employees of the Group regarding CSR. The Group has published some of its CSR activities on its website.
- Procurement Policy - includes the principles for the implementation of the policy, clear guidelines and operating instructions on all matters relating to procurement, and tender contracts within the Group as well as a comprehensive list of all the suppliers and vendors engaged by the Group.
- Whistleblowing Policy – provides guidance for any individual who wants to raise legitimate concerns
- Insider Trading - the Code of Business Conduct provides guidelines on trading on insider information.
- Information Communication Technology (ICT) Policy - provides guidelines that are aligned to the strategic objectives of the Group.

These policies and others are available on the Company's web site, [www.kakuzi.co.ke/corporate-governance](http://www.kakuzi.co.ke/corporate-governance)

### **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.

### **Board and Directors' effectiveness**

A robust support system enhances board effectiveness in its oversight and leadership role. This is facilitated through the following:

#### **Board Remuneration**

The Director's remuneration policy and report, including details of their compensation, appear on page 22.

#### **Board Meetings**

The Board and its Committees meet regularly in accordance with business requirements. The Committee meetings are scheduled around the Board meetings. The Agenda and supporting papers and other appropriate information are distributed prior to each meeting to allow the Board and its Committees to meet its duties. In 2020, four scheduled Board meetings and one ad-hoc Board meeting were held.

The Chairmen of the Board Committees report to each meeting of the Board on the activities of the Committees since the previous Board meeting. The Board receives regular reports and presentations from the Managing Director. The Board also monitors matters arising under the Code of Conduct, the Anti-Bribery and Corruption Policy and the Whistleblowing Policy.

### **Board Meetings (continued)**

The Board met and deliberated on, amongst other issues:

- Share transactions and top shareholders
- Updates on the strategic plan
- Managing Director's Report which includes review reports on progress against financial objectives, business developments, investor and external relations, the environment, performance and updates on the strategic initiatives
- Audit and Risk Committee Report
- Nomination and Remuneration Committee Report
- Corporate Social Responsibility
- Anti-Bribery Report (Semi-Annually)
- Training Needs report
- Litigation matters
- Public Relations proposal and Implementation Report

Details of the Board and Board Committee meetings held during the Reporting Period and attendances at those meetings are set on page 21.

### **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.

### **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. Staff are required to adhere to the Staff Code of Conduct on permissible trading activity. During the year 2020, there were no known or identified instances of insider trading by the Directors, management and staff of the Group.

### **Board Committees**

The Board has established Committees to assist it in discharging its responsibilities and obligations. The Committees assist the Board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management. 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 and the Litigation 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 and Training Committee, among others.

The Board is also in the process of establishing an Independent Human Rights Advisory Committee.

### **Board Committees (continued)**

Management and external service providers and experts attend by invitation as circumstances dictate.

Directors' attendance of these committees is provided on page 21.

Details of these Committees are given here below:

#### **Nomination & Remuneration Committee**

The Nomination & Remuneration Committee is chaired by Mr Stephen Waruhiu, an independent Director. Its other members are Mr Andrew N Njoroge and Mr Christopher Flowers. The principal responsibilities of the Nomination & Remuneration Committee are set out below:

Principal responsibilities

- Review the balance and composition (including gender and diversity) of the Board, ensuring that they remain appropriate
- Be responsible for overseeing the Board's succession planning requirements including the identification and assessment of potential Board candidates and making recommendations to the Board for its approval
- Keep under review the leadership needs of, and succession planning for, the Group in relation to both its executive and non-executive Directors and other senior executives
- Board performance evaluation and development of Directors

The Committee met thrice during the year, as shown on page 21 and deliberated on, amongst other issues:

- Training needs for the year 2021 noted
- Board Membership changes
- The need to review succession planning

#### **Audit & Risk Committee**

The Audit & Risk Committee is chaired by Mr Daniel Ndonge, an independent Director. The other members of the Committee are Mr Stephen Waruhiu and Mr Andrew Njoroge. During 2020, the Committee met twice, as shown below on page 21.

All the members of the Audit & Risk Management Committee have the relevant qualifications and expertise in audit, financial management and accounting.

Principal responsibilities

- To review and monitor the financial statements of the Group and the audit of those statements
- To monitor compliance with relevant financial reporting requirements and legislation
- To monitor the effectiveness and independence of the external auditor
- To review the efficacy of the Group's internal control system - the Committee regularly reviews the effectiveness of internal audit activities carried out by the Group's audit function and senior management
- To review significant accounting policies and practices; and,
- To review non-audit services provided by the external auditors

During the course of the year, the Committee received, reviewed, monitored, considered, approved and guided management and made recommendations to the Board on:

- Monitoring developments in accounting, financial reporting and taxation relevant to the Group
- Reviewing and making recommendations to the Board for the adoption of the Group's half-year and annual financial statements
- Approval of the scope plan and fees for the 2020 external audit



#### **Audit & Risk Committee (continued)**

- Reviewing the independence and performance of the external auditor
- Reviewing Internal Audit reports and approval of the 2020 Internal Audit plan
- Reviewing the External Auditors audit findings report for the year ended 2019
- Review of Dividend and Press announcements
- Review of the Group's Risk Map

#### **Litigation Committee**

The Litigation Committee is a committee of the Board which serves as a link between the Board and management to:

- oversee the Company's dispute resolution mechanisms and any resulting claims and legal proceedings; and
- ensure implementation of the Operational-Level Grievance Mechanism (**OGM**) decisions by the Board.

The Litigation Committee is chaired by Mr Andrew N Njoroge, an independent Director. Its other member is Mr Stephen Waruhiu. The Committee shall develop its own procedures which shall be approved by the Board. During 2020, the Committee met once.

The Committee makes relevant recommendations to the Board for deliberation, adoption and implementation by management. The Committee has the power to obtain such professional advice as it may require from time to time in the discharge of its functions.

#### **Independent Human Rights Advisory Committee**

The Board is well advanced in establishing an Independent Human Rights Advisory Committee (IHRAC) whose role will be to provide independent advice to the Board on matters relating to Human Rights and governance structures.

#### **Board and Directors Evaluation**

The Nomination and Remuneration Committee is responsible for determining the process for evaluating Board performance. In line with the provisions of the Code, the Board undertook an inaugural evaluation of its performance as an entity in 2019. The evaluation was conducted internally by the Chairman of the Board through the coordination of the Company Secretary. Each director completed a detailed questionnaire designed to obtain feedback on the Board's performance in the following areas:

- Strategic objectives
- Board composition and structure
- Board meetings and preparation
- Board interaction and support
- Risk management, internal controls and compliance
- Performance of governance functions; and
- Performance of the Chairman,

The Directors provided consistent and positive feedback on the areas under review in the board evaluation, and the following matters were highlighted as being in need of improvement or implementation:

### **Board and Directors Evaluation (continued)**

- Gender balance
- Formulation of a succession policy
- Training program for the Directors
- Interaction with senior management

The evaluation outcome found that the Board continues to operate effectively and is well-positioned to address any challenges faced by the Group.

The next evaluation is scheduled for in 2021. In addition, a formal procedure to conduct the evaluation of the individual Board members, Company secretary and Board Committees is being considered.

### **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 have 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 a Public Relations Consultant to work as an intermediary between the public and the Group; and effectively disseminate and communicate its mission, policies and goals to the public.

### **Board Induction and Continuous Skills Development**

In 2019, the Board held a training which was conducted by the Institute of Certified Public Secretaries of Kenya. The topics covered during the training included: Boardroom Behaviours & Procedures and Boards of the Future: Looking Beyond Numbers and Corporate Culture and Strategy.

The following areas were highlighted for future training, which is scheduled to be carried out in 2021;

- Integrated reporting as well as Environment, Social and Governance Reporting
- Diversity and inclusion – The legal and corporate implications for Directors
- Latest trends in corporate governance policies

### **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.

The Whistleblowing Policy, which is on the Group's website, 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 Anti-Bribery Policy is in place to foster an environment that encourages ethical behaviour and compliance, while an internal committee is in place that meets quarterly to monitor this. Their report is tabled in every other Board meeting.

No unethical issues were reported during the course of the year under review.

### **Legal Compliance Audit and Reporting**

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.

The Board is considering conducting a comprehensive and independent legal audit by an external consultant in line with the Code's requirements.

### **External Auditors**

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 2019 Audit findings report and the second one to present their audit service plan for the year ended 31 December 2020.

### **Internal Control 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 Board 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.

### **Relationship with Shareholders and other Stakeholders**

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, [www.kakuzi.co.ke/investor-relations/regulatory-news](http://www.kakuzi.co.ke/investor-relations/regulatory-news).

The Group has engaged the services of a registrar, Custody & Registrar Services, who together with the Finance Director, regularly address issues raised by the shareholders.

A standalone policy on stakeholder relations is currently under consideration together with stakeholders mapping in order to enhance the Groups' relationship with its Stakeholders as per the recommendations made during the governance audit.

### **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**  
18 March 2021



**C J FLOWERS**  
18 March 2021

## 2020 BOARD & BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Classification	Designation		Board	Audit & Risk	Nomination & Remuneration	Litigation
Mr Nicholas Ng'ang'a	Non-Executive	Chairman of the Board	Membership	✓	✓	✓	
					Upto 31 <sup>st</sup> Oct 2020	Upto 24 <sup>th</sup> Nov 2020	
			Attendance	5/5	2/2	3/3	
Mr Christopher Flowers	Executive	Managing Director	Membership	✓		✓	
			Attendance	5/5	2/2	3/3	
Mr Graham Mclean	Non-Executive		Membership	✓		✓	
						Upto 24 <sup>th</sup> Nov 2020	
			Attendance	5/5	2/2	3/3	
Mr Daniel Ndonye	Non-Executive	Chairman of the Audit and Risk Committee	Membership	✓	✓	✓	
						Upto 24 <sup>th</sup> Nov 2020	
			Attendance	5/5	2/2	3/3	
Mr Stephen Waruhiu	Non-Executive	Chairman of the Nomination & Remuneration Committee	Membership	✓	✓	✓	✓
			Attendance	5/5	2/2	3/3	1/1
Mr Andrew Njoroge	Non-Executive	Chairman of the Litigation Committee	Membership	✓	✓	✓	✓
			Attendance	5/5	2/2	3/3	1/1
Dr John K Kimani	Non-Executive		Membership	✓			
			Attendance	1/1			
Mr Ketan Shah	Executive	Finance Director	Membership	✓		✓	
						Upto 24 <sup>th</sup> Nov 2020	
			Attendance	5/5	2/2	3/3	

- ✓ 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 and Finance Director are not members of the Audit & Risk Committee but attend by invitation.

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 16.

### 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 and included in the Related Party transactions (Note 27 (ii)) is as follows:-

	2020 Shs'000	2019 Shs'000
Managing Director (Mr C J Flowers)	11,535	10,654
Finance Director (Mr K R Shah)	17,049	15,673
	28,584	26,327

Directors' fees are payable after the occurrence of the Board Meetings. The Directors do not receive any performance based remuneration. No pension contributions are payable on their fees.

	2020 Directors' Fees Shs'000	2019 Directors' Fees Shs'000	2020 Benefits in kind Shs'000	2019 Benefits in kind Shs'000	2020 Total Shs'000	2019 Total Shs'000
<b>Non-Executive</b>						
Mr G H Mclean	2,068	1,535	-	-	2,068	1,535
Mr K W Tarplee	-	1,000	25	94	25	1,094
Mr N Ng'ang'a	2,767	1,680	89	94	2,856	1,774
Mr D M Ndonye	2,052	1,695	89	93	2,141	1,788
Mr S N Waruhiu	2,020	1,665	89	93	2,109	1,758
Mr A N Njoroge	2,353	1,665	89	93	2,442	1,758
Mr J K Kimani	269	-	7	-	276	-
	11,529	9,240	388	467	11,917	9,707

### BY ORDER OF THE BOARD



**K R SHAH**  
 18 March 2021



**C J FLOWERS**  
 18 March 2021

## Independent auditors' report To the shareholders of Kakuzi Plc

### Report on the audit of the consolidated and separate financial statements

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#### Our Opinion

We have audited the consolidated and separate financial statements of Kakuzi Plc ("the Group") set out on pages 27 to 79, which comprise the consolidated and separate statements of financial position at 31 December 2020 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 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 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.

**Independent auditors' report  
To the shareholders of Kakuzi Plc (continued)**

**Report on the audit of the consolidated and separate financial statements (continued)**

<b>Key Audit Matter</b>	<b>How Our Audit Addressed the Key Audit Matter</b>
<p><b>Measurement of biological assets (in the consolidated and separate financial statements)</b></p> <p>The measurement of biological assets at the end of year involves significant judgements and estimates by the Directors, which could have material impact on the financial position and the results of the Group and the Company.</p> <p>At the end of year, the carrying value of the biological assets amounted to Sh 1,092,933,000 (2019: Sh 933,355,000) as disclosed in Note 6 in the consolidated and separate financial statements.</p> <p>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 fair value models accrue the additional value related to the biological asset as biological transformation takes place rather than at the time of harvest.</p> <p>As disclosed in Note 3 (a) to the consolidated and separate financial statements, the key assumptions and estimates include expected yield, future market prices, 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 uncertainty could lead to material adjustments to the consolidated and separate financial statements.</p> <p>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.</p>	<p>We focused our attention on the significant assumptions, estimates and key judgments made by Directors and Group's management experts by performing the following:</p> <p>We assessed the competence and objectivity of the Group's management experts with the responsibility of determining the valuation of the biological assets. In addition, we discussed the scope of their work and reviewed the fair valuation models used for consistency and mathematical accuracy. We confirmed that the approach and model used has been consistently applied.</p> <p>We performed an analysis of the significant assumptions made in the valuation models and tested them against available market information. We subjected the key assumptions to sensitivity analysis.</p> <p>We assessed the reasonableness of the assumptions used in deriving the expected yield, the future market prices and cost to sell.</p> <p>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.</p> <p>We checked the consistency of application of the fair value approaches and models over the years.</p> <p>We evaluated the sufficiency and accuracy of the disclosures in the notes of the consolidated and separate financial statements.</p> <p>We also validated the underlying data in respect of forestry acreage and age of plantations used by the valuer to the Directors' operational independent information, including comparison with historical trends.</p> <p>We found that the models used for the valuation of the biological assets to be appropriate and reasonable. 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.</p>

**Other information**

The Directors are responsible for the other information which comprises the Company Information, Notice of the 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)**

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**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 are 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.

**Independent auditors' report  
To the shareholders of Kakuzi Plc (continued)**

**Report on the audit of the consolidated and separate financial statements (continued)**

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**Auditor's Responsibilities for the Audit of the consolidated and separate financial statements (continued)**

- 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 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.
- 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 Kenya Companies Act, 2015**

*Report of the Directors*

In our opinion the information given in the Report of the Directors on pages 9 to 10 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 22 has been prepared in accordance with the Kenyan Companies Act, 2015.



**Certified Public Accountants (Kenya)**

**Nairobi, Kenya**

**18 March 2021**

**FCPA Anne Muraya, Practising certificate No. 1697.  
Signing partner responsible for the independent audit**

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

	Notes	Year ended 31 December	
		2020 Shs'000	2019 Shs'000
Sales	5	3,608,941	2,888,662
Gains arising from changes in fair value less costs to sell of non-current biological assets	6(i)	57,813	83,414
		<hr/>	<hr/>
Cost of sales		3,666,754 (2,144,454)	2,972,076 (1,556,400)
		<hr/>	<hr/>
<b>Gross profit</b>		1,522,300	1,415,676
Other income	7	31,554	20,576
Selling and Distribution costs		(851,348)	(531,280)
		<hr/>	<hr/>
<b>Operating profit</b>		702,506	904,972
Interest and other income	8	145,059	117,021
Finance costs	8	(33)	(7,516)
		<hr/>	<hr/>
<b>Profit before income tax</b>	5	847,532	1,014,477
Income tax expense	11(a)	(225,498)	(301,038)
		<hr/>	<hr/>
<b>Profit for the year</b>		622,034	713,439
<b>Other comprehensive income</b>			
<i>Items that are not reclassified subsequently to profit or loss:</i>			
Remeasurement of post-employment benefit obligations (net of tax)	11(c)	490	11,810
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		622,524	725,249
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share (Shs):</b>			
Basic and diluted earnings per ordinary share	12	31.74	36.40
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 33 to 79 are an integral part of these consolidated and separate financial statements.

## Consolidated statement of financial position

	Notes	31 December 2020 Shs'000	31 December 2019 Shs'000
<b>EQUITY</b>			
Share capital	13	98,000	98,000
Other reserves		31,953	31,463
Retained earnings		5,083,696	4,814,462
Proposed dividend	12(ii)	352,800	274,400
<b>Total equity</b>		<b>5,566,449</b>	<b>5,218,325</b>
<b>Non current liabilities</b>			
Deferred income tax	15	1,003,743	932,166
Post employment benefit obligations	16	76,354	74,500
Lease obligations	17	373	381
		1,080,470	1,007,047
<b>Total equity and non current liabilities</b>		<b>6,646,919</b>	<b>6,225,372</b>
<b>Non current assets</b>			
Property, plant and equipment	18	3,021,989	2,913,234
Biological assets	6(i)	728,163	715,376
Right of use assets	19	4,335	4,781
Financial assets held at amortised cost	21	200,000	200,000
Non current receivables	23	35,555	34,624
		3,990,042	3,868,015
<b>Current assets</b>			
Biological assets – growing agricultural produce	6(ii)	364,770	219,979
Inventories	22	435,016	401,693
Receivables and prepayments	23	427,200	275,218
Current tax recoverable	11(d)	19,664	-
Cash and cash equivalents	25	1,670,124	1,696,130
		2,916,774	2,593,020
<b>Current liabilities</b>			
Payables and accrued expenses	24	226,607	181,711
Current tax payable	11(d)	-	35,355
Lease obligations	17	59	31
Post employment benefit obligations	16	33,231	18,566
		259,897	235,663
<b>Net current assets</b>		<b>2,656,877</b>	<b>2,357,357</b>
		<b>6,646,919</b>	<b>6,225,372</b>

The notes on pages 33 to 79 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 27 to 79 were approved for issue by the board of Directors on 18 March 2021 and signed on its behalf by:



**K R SHAH**  
**DIRECTOR**



**C J FLOWERS**  
**DIRECTOR**

## Separate statement of financial position

	Notes	31 December 2020 Shs'000	31 December 2019 Shs'000
<b>EQUITY</b>			
Share capital	13	98,000	98,000
Other reserves		31,953	31,463
Retained earnings		5,079,555	4,810,321
Proposed dividend	12(ii)	352,800	274,400
<b>Total equity</b>		<b>5,562,308</b>	<b>5,214,184</b>
<b>Non current liabilities</b>			
Deferred income tax	15	1,003,743	932,166
Post employment benefit obligations	16	76,354	74,500
Lease obligations	17	373	381
		1,080,470	1,007,047
<b>Total equity and non current liabilities</b>		<b>6,642,778</b>	<b>6,221,231</b>
<b>Non current assets</b>			
Property, plant and equipment	18	3,021,989	2,913,234
Biological assets	6(i)	728,163	715,376
Right of use assets	19	4,335	4,781
Investment in subsidiaries	20	4,295	4,295
Financial assets held at amortised cost	21	200,000	200,000
Non current receivables	23	35,555	34,624
		3,994,337	3,872,310
<b>Current assets</b>			
Biological assets – growing agricultural produce	6(ii)	364,770	219,979
Inventories	22	435,016	401,693
Receivables and prepayments	23	427,200	275,218
Current tax recoverable	11(d)	19,611	-
Cash and cash equivalents	25	1,670,124	1,696,130
		2,916,721	2,593,020
<b>Current liabilities</b>			
Payables and accrued expenses	24	234,990	190,094
Current tax payable	11(d)	-	35,408
Lease obligations	17	59	31
Post employment benefit obligations	16	33,231	18,566
		268,280	244,099
<b>Net current assets</b>		<b>2,648,441</b>	<b>2,348,921</b>
		<b>6,642,778</b>	<b>6,221,231</b>

The notes on pages 33 to 79 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 27 to 79 were approved for issue by the board of Directors on 18 March 2021 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
<b>Year ended 31 December 2020</b>					
At start of year	98,000	31,463	4,814,462	274,400	5,218,325
<b>Total comprehensive income for the year:</b>					
Profit for the year	-	-	622,034	-	622,034
Other comprehensive income	-	490	-	-	490
<b>Total</b>	-	490	622,034	-	622,524
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2019	-	-	-	(274,400)	(274,400)
- Proposed for 2020	-	-	(352,800)	352,800	-
<b>Total</b>	-	-	(352,800)	78,400	(274,400)
At end of year	98,000	31,953	5,083,696	352,800	5,566,449
<b>Year ended 31 December 2019</b>					
At start of year	98,000	19,653	4,375,423	176,400	4,669,476
<b>Total comprehensive income for the year:</b>					
Profit for the year	-	-	713,439	-	713,439
Other comprehensive income	-	11,810	-	-	11,810
<b>Total</b>	-	11,810	713,439	-	725,249
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2018	-	-	-	(176,400)	(176,400)
- Proposed for 2019	-	-	(274,400)	274,400	-
<b>Total</b>	-	-	(274,400)	98,000	(176,400)
At end of year	98,000	31,463	4,814,462	274,400	5,218,325

The notes on pages 33 to 79 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
<b>Year ended 31 December 2020</b>					
At start of year	98,000	31,463	4,810,321	274,400	5,214,184
<b>Total comprehensive income for the year:</b>					
Profit for the year	-	-	622,034	-	622,034
Other comprehensive income	-	490	-	-	490
<b>Total</b>	-	490	622,034	-	622,524
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2019	-	-	-	(274,400)	(274,400)
- Proposed for 2020	-	-	(352,800)	352,800	-
<b>Total</b>	-	-	(352,800)	78,400	(274,400)
At end of year	98,000	31,953	5,079,555	352,800	5,562,308
<b>Year ended 31 December 2019</b>					
At start of year	98,000	19,653	4,371,282	176,400	4,665,335
<b>Total comprehensive income for the year:</b>					
Profit for the year	-	-	713,439	-	713,439
Other comprehensive income	-	11,810	-	-	11,810
<b>Total</b>	-	11,810	713,439	-	725,249
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2018	-	-	-	(176,400)	(176,400)
- Proposed for 2019	-	-	(274,400)	274,400	-
<b>Total</b>	-	-	(274,400)	98,000	(176,400)
At end of year	98,000	31,463	4,810,321	274,400	5,214,184

The notes on pages 33 to 79 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	
		2020 Shs'000	2019 Shs'000
<b>Operating activities</b>			
Cash generated from operations	26	670,704	739,111
Interest received	8	79,701	117,021
Income tax paid	11(d)	(209,150)	(70,554)
Net cash generated from operating activities		541,255	785,578
<b>Investing activities</b>			
Purchase of property, plant and equipment	18	(348,979)	(409,466)
Purchase of biological assets and development	6(i)	(17,439)	(18,727)
Proceeds from disposal of property, plant and equipment		8,212	6,308
Proceeds from redemption of financial assets held at amortised cost	21	-	15,385
Net cash used in investing activities		(358,206)	(406,500)
<b>Financing activities</b>			
Dividend paid	12(ii)	(274,400)	(176,400)
Lease payments	17	(13)	-
Net cash used in financing activities		(274,413)	(176,400)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(91,364)	202,678
<b>Movement in cash and cash equivalents</b>			
At start of year		1,696,130	1,500,935
Net (decrease)/increase in cash and cash equivalents		(91,364)	202,678
Effect of exchange rate differences on cash and cash equivalents	8	65,358	(7,483)
At end of year	25	1,670,124	1,696,130

The notes on pages 33 to 79 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 or loss 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 2020*

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

## Notes (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 2020 (continued)*

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

#### **Covid-19-Related Rent Concessions Amendment to IFRS 16**

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease

In the current financial year, the Group has not applied the practical expedient included in the amendment to IFRS 16 (as issued by the IASB in May 2020). There were no Covid-19 related rent concessions in the current year and therefore the Group has not applied the amendments.

#### **Amendments to References to the Conceptual Framework in IFRS Standards**

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

## Notes (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 2020 (continued)*

###### **Amendments to IAS 1 and IAS 8 Definition of material**

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

##### (ii) *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.

IFRS 17	<i>Insurance Contracts</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IFRS 3	<i>Reference to Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018 – 2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

###### **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.

## Notes (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)*

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.

#### **Annual Improvements to IFRS Standards 2018–2020**

*The Annual Improvements include amendments to four 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). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

##### *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.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

##### **(iii) Early adoption of standards**

The Group did not early-adopt any new or amended standards in the year ended 31 December 2020.

#### (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.

## Notes (continued)

### 2 Accounting policies (continued)

#### (c) Consolidation of subsidiaries

##### Basis of consolidation

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.

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.

**Notes (continued)**

**2 Accounting policies (continued)**

**(e) Revenue recognition (continued)**

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 income statement of comprehensive income within 'interest and other 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 depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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 are classified as immature until the produce can be commercially harvested and are classified as capital work in progress. At that point they are reclassified to bearer plants and depreciation commences. Immature plantations are measured at accumulated cost.

## Notes (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
- Pineapple crop	1 year	2 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.

## Notes (continued)

### 2 Accounting policies (continued)

#### (h) Biological assets (continued)

Purchases and development of biological assets include cost of planting, breeding and upkeep until they mature, which are recognised as an expense in the profit or loss.

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. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

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.

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 losses.

Right-of-use assets are depreciated over the shorter 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.



## Notes (continued)

### 2 Accounting policies (continued)

#### (i) Leases (continued)

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.

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.

#### (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 and corporate bonds*

The treasury and corporate 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

## Notes (continued)

### 2 Accounting policies (continued)

#### (n) Financial instruments (continued)

- 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 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.

##### *Impairment of financial assets (continued)*

###### *(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.

## Notes (continued)

### 2 Accounting policies (continued)

#### (n) Financial instruments (continued)

##### *(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).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due 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.

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

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

The liability recognised in the statement of financial position in respect of this defined benefit scheme is the present value of the defined benefit obligation at the reporting date. The obligation is estimated annually using the projected unit credit method by independent actuaries. The present value is determined by discounting the estimated future cash outflows using interest rates of government bonds. The currency and estimated term of these bonds is consistent with the currency and estimated term of the post-employment benefit obligation. The obligation relating to employees who have reached the minimum retirement age and completed the required years of service and are still in employment are classified as payable within the next twelve months.

## Notes (continued)

### 2 Accounting policies (continued)

#### (o) Employee benefits (continued)

##### (i) Post employment benefits obligations (continued)

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.

##### (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.

## Notes (continued)

### 2 Accounting policies (continued)

#### (p) Current and deferred income tax (continued)

##### (ii) Deferred income tax (continued)

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

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

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

#### (a) Critical accounting estimates and assumptions

##### (i) 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) 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
- 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.

## Notes (continued)

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

#### (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 audit issues 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.

### 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.

#### 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.

## Notes (continued)

### 4 Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### (i) Foreign exchange risk (continued)

At 31 December 2020, if the Shilling was weaker/stronger by 5% (2019: 5%) against the US dollar with all other variables held constant, the Group and Company post tax profit would have been Shs 40,569,000 (2019: Shs 15,132,000) higher/lower mainly as a result of US dollar deposits and trade receivables.

At 31 December 2020 if the Shilling was weaker/stronger by 5% (2019: 5%) against the Euro with all other variables held constant, the Group and Company post tax profit would have been Shs 27,413,000 higher/lower (2019: Shs 338,000).

At 31 December 2020 if the Shilling was weaker/stronger by 5% (2019: 5%) against the Sterling Pound with all other variables held constant, the Group and Company post tax profit would have been Shs 1,380,000 higher/lower (2019: Shs 224,000).

At 31 December 2020 if the Shilling was weaker/stronger by 5% (2019: 5%) against the Australian Dollar with all other variables held constant, the Group and Company post tax profit would have been Shs 202,000 lower/ higher (2019: Shs 37,000).

There were no financial assets and liabilities denominated in South African Rands as at 31 December 2020. At 31 December 2019, If the Shilling was weaker/stronger by 5% against the South African Rand with all other variables held constant, the Group and Company post tax profit would have been Shs 99,000 lower/ higher.

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

	USD	EUR	STG	AUD	ZAR	Total in Shs'000
Closing rate as at 31 Dec 2020	109.20	133.61	149.27	84.27	7.43	
Cash and bank balances	910,114	715,880	36,787	-	-	1,662,781
Trade and other receivables	191,726	30,642	-	-	-	222,368
<b>Total financial assets</b>	<b>1,101,840</b>	<b>746,522</b>	<b>36,787</b>	<b>-</b>	<b>-</b>	<b>1,885,149</b>
Trade and other payables	19,993	15,521	-	5,395	-	40,909
<b>Total financial liabilities</b>	<b>19,993</b>	<b>15,521</b>	<b>-</b>	<b>5,395</b>	<b>-</b>	<b>40,909</b>
	USD	EUR	STG	AUD	ZAR	Total in Shs'000
Closing rate as at 31 Dec 2019	101.35	113.76	134.26	71.24	7.25	
Cash and bank balances	388,818	20,116	46	-	-	408,980
Trade and other receivables	51,627	6,355	6,346	-	-	64,328
<b>Total financial assets</b>	<b>440,445</b>	<b>26,471</b>	<b>6,392</b>	<b>-</b>	<b>-</b>	<b>473,308</b>
Trade and other payables	8,111	16,801	-	1,072	2,832	28,816
<b>Total financial liabilities</b>	<b>8,111</b>	<b>16,801</b>	<b>-</b>	<b>1,072</b>	<b>2,832</b>	<b>28,816</b>

## Notes (continued)

### 4 Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### (ii) Price risk

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

##### (iii) Interest rate risk

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

##### (iv) Commodity price risk

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

If the commodity prices had been 5% higher/(lower) as of December 2020, profit after tax would have been Shs 196,803,000 (2019: Shs 155,189,000) higher/(lower).

#### 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 2020 is the carrying value of the financial assets in the statement of financial position.

The Group holds collateral amounting to Shs 34,238,000 (2019: Shs 44,090,000) in respect of staff loans amounting to Shs 35,264,000 (2019: Shs 41,569,000) 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'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 (continued)

### 4 Financial risk management objectives and policies (continued)

#### 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:

31/12/2020	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)	251,981	(5,324)	246,657
Staff debtors	23	N/A	Performing	Lifetime ECL (simplified approach)	35,264	-	35,264
Financial assets held at amortized cost	21	B2	N/A	12-month ECL	200,000	-	200,000
31/12/2019	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)	29,555	(4,934)	24,621
Staff debtors	23	N/A	Performing	Lifetime ECL (simplified approach)	41,569	-	41,569
Financial assets held at amortized cost	21	B2	N/A	12-month ECL	200,000	-	200,000

#### Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

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

## Notes (continued)

### 4 Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

The table below analyses the Group 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.

<b>Group</b>	<b>Less than 1 year Shs'000</b>	<b>Between 1 and 2 years Shs'000</b>	<b>Between 2 and 5 years Shs'000</b>	<b>Over 5 years Shs'000</b>
<b>At 31 December 2020:</b>				
- Trade and other payables	226,607	-	-	-
<b>At 31 December 2019:</b>				
- Trade and other payables	181,711	-	-	-
<b>Company</b>	<b>Less than 1 year Shs'000</b>	<b>Between 1 and 2 years Shs'000</b>	<b>Between 2 and 5 years Shs'000</b>	<b>Over 5 years Shs'000</b>
<b>At 31 December 2020:</b>				
- Trade and other payables	234,990	-	-	-
<b>At 31 December 2019:</b>				
- Trade and other payables	190,094	-	-	-

#### 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 (continued)

### 5 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 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. Intersegmental sales relate to sale of pallets and are transferred at arms-length.

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 2020 and 31 December 2019 is as follows:

	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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>Sales</b>												
Sales to external customers	245,801	202,390	2,311,063	1,861,707	654,791	502,423	272,975	204,508	110,843	108,651	3,595,473	2,879,679
Intersegmental Sales	-	-	-	-	-	-	13,468	8,983	-	-	13,468	8,983
<b>Total Sales</b>	<b>245,801</b>	<b>202,390</b>	<b>2,311,063</b>	<b>1,861,707</b>	<b>654,791</b>	<b>502,423</b>	<b>286,443</b>	<b>213,491</b>	<b>110,843</b>	<b>108,651</b>	<b>3,608,941</b>	<b>2,888,662</b>
<b>Comprising</b>												
Major external customers sales	245,801	202,390	2,210,502	1,813,562	629,269	472,472	-	-	-	-	3,085,572	2,488,424
All other external customers sales	-	-	100,561	48,145	25,522	29,951	286,443	213,491	110,843	108,651	509,901	391,255
Intersegmental Sales	-	-	-	-	-	-	13,468	8,983	-	-	13,468	8,983
	<b>245,801</b>	<b>202,390</b>	<b>2,311,063</b>	<b>1,861,707</b>	<b>654,791</b>	<b>502,423</b>	<b>286,443</b>	<b>213,491</b>	<b>110,843</b>	<b>108,651</b>	<b>3,608,941</b>	<b>2,888,662</b>
<b>Geographical analysis</b>												
UK & Continental Europe	-	-	2,210,502	1,813,562	-	-	-	-	-	-	2,210,502	1,813,562
Kenya	245,801	202,390	100,561	48,145	25,522	29,951	286,443	213,491	110,843	108,651	769,170	602,628
Others	-	-	-	-	629,269	472,472	-	-	-	-	629,269	472,472
	<b>245,801</b>	<b>202,390</b>	<b>2,311,063</b>	<b>1,861,707</b>	<b>654,791</b>	<b>502,423</b>	<b>286,443</b>	<b>213,491</b>	<b>110,843</b>	<b>108,651</b>	<b>3,608,941</b>	<b>2,888,662</b>

**Notes (continued)**

**5 Segmental reporting - Group (continued)**

	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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	(16,937)	125,155	1,712,061	1,427,657	506,788	326,367	77,962	66,116	(63,341)	(52,745)	2,216,533	1,892,550
Intersegmental purchases	-	-	(13,468)	(8,983)	-	-	13,468	8,983	-	-	-	-
Depreciation charge	(14,945)	(14,590)	(99,003)	(73,616)	(75,028)	(65,750)	(4,824)	(4,793)	(40,170)	(38,354)	(233,970)	(197,103)
Changes in fair value of non-current biological assets	-	-	-	-	-	-	22,100	31,161	35,713	52,253	57,813	83,414
Gross profit/(loss)	(31,882)	110,565	1,599,590	1,345,058	431,760	260,617	108,706	101,467	(67,798)	(38,846)	2,040,376	1,778,861
Selling and distribution costs	-	-	(831,840)	(511,772)	(19,249)	(19,249)	-	-	(259)	(259)	(851,348)	(531,280)
Segment profit	(31,882)	110,565	767,750	833,286	412,511	241,368	108,706	101,467	(68,057)	(39,105)	1,189,028	1,247,581
Other income	5,889	5,602	-	-	-	-	-	-	25,665	14,974	31,554	20,576
Interest and other income	-	-	-	-	-	-	-	-	145,059	117,021	145,059	117,021
Finance costs	-	-	-	-	-	-	-	-	(33)	(7,516)	(33)	(7,516)
Unallocated admin expenditure	-	-	-	-	-	-	-	-	(518,076)	(363,185)	(518,076)	(363,185)
Profit/(loss) before income tax	(25,993)	116,167	767,750	833,286	412,511	241,368	108,706	101,467	(415,442)	(277,811)	847,532	1,014,477
Income tax expense	6,915	(34,472)	(207,811)	(247,272)	(106,334)	(71,624)	(28,923)	(30,110)	110,655	82,440	(225,498)	(301,038)
Profit/(loss) for the year	(19,078)	81,695	559,939	586,014	306,177	169,744	79,783	71,357	(304,787)	(195,371)	622,034	713,439
<b>Assets (all located in Kenya)</b>												
Segment assets	966,025	610,131	1,504,886	1,461,554	1,703,236	1,197,630	758,948	1,070,039	567,774	384,585	5,500,869	4,723,939
Unallocated assets											1,405,947	1,737,096
											6,906,816	6,461,035
<b>Liabilities</b>												
Segment liabilities	53,122	19,259	-	-	-	-	-	-	-	167,627	53,122	186,886
Unallocated liabilities											1,287,245	1,055,824
											1,340,367	1,242,710
<b>Additions</b>												
Property, plant and equipment	7,749	246	169,353	232,092	98,617	134,637	601	1,239	72,659	41,252	348,979	409,466
Biological assets	-	-	-	-	-	-	17,439	18,727	-	-	17,439	18,727
	7,749	246	169,353	232,092	98,617	134,637	18,040	19,966	72,659	41,252	366,418	428,193

## Notes (continued)

### 5 Segmental reporting - Group (continued)

#### \*Avocados

#### Smallholder and Outgrowers Hass Avocados

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

	<b>2020</b>		<b>2019</b>
Number of cartons exported	152,202		185,534
Number of cartons sold	154,858		182,880
	<b>Shs'000</b>		<b>Shs'000</b>
Gross Export sales	132,709		189,585
Selling and distribution costs	(55,716)		(66,505)
Net Export sales	76,993		123,080
Local sales	9,254		6,265
Packing expenses	(17,874)		(20,806)
Closing stock	-		1,687
Net return	68,373		110,226
<b>Paid to smallholders and outgrowers</b>	<b>(57,948)</b>	<b>(85%)</b>	<b>(93,548)</b>
Trading profit	10,425		16,678
Extension services expenses	(5,071)		(4,386)
Profit before income tax	5,354		12,292

## Notes (continued)

### 6 Biological assets – Group and Company

#### (i) Non current assets

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

	Livestock Shs'000	Plantation Shs'000	Total Shs'000
<b>Year ended 31 December 2020</b>			
At start of year	145,076	570,300	715,376
Increase due to purchases and development	-	17,439	17,439
Gains arising from changes in fair value less costs to sell due to physical change and price changes	35,713	22,100	57,813
Decrease due to harvest and sales	(35,125)	(27,340)	(62,465)
	<u>145,664</u>	<u>582,499</u>	<u>728,163</u>
<b>Year ended 31 December 2019</b>			
At start of year	128,552	555,650	684,202
Increase due to purchases and development	-	18,727	18,727
Gains arising from changes in fair value less costs to sell due to physical change and price changes	52,253	31,161	83,414
Decrease due to harvest and sales	(35,729)	(35,238)	(70,967)
	<u>145,076</u>	<u>570,300</u>	<u>715,376</u>

There are no biological assets whose title is restricted or pledged as security for liabilities as at 31 December 2020 (2019: Nil).

There were no commitments for development or acquisition of biological assets as at 31 December 2020 (2019: Nil).

#### (ii) Current assets

##### Growing agricultural produce on bearer plants as at the reporting date

	2020 Shs'000	2019 Shs'000
Avocado – Hass	170,293	103,567
Avocado - Pinkerton	96,653	44,799
	<u>266,946</u>	<u>148,366</u>
Total Avocado	266,946	148,366
Macadamia	95,852	68,932
Tea	1,972	2,681
	<u>364,770</u>	<u>219,979</u>
At end of year	<u>364,770</u>	<u>219,979</u>

## Notes (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 based on market prices of livestock of similar age, breed and genetic merit.

The fair value 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
<b>Year ended 31 December 2020</b>					
Livestock	Market approach	-	145,664	-	145,664
Avocado	Market approach	-	-	266,946	266,946
Tea	Market approach	-	1,972	-	1,972
Forestry	Market approach	-	582,499	-	582,499
Macadamia	Market approach	-	-	95,852	95,852
		-	730,135	362,798	1,092,933
<b>Year ended 31 December 2019</b>					
Livestock	Market approach	-	145,076	-	145,076
Avocado	Market approach	-	-	148,366	148,366
Tea	Market approach	-	2,681	-	2,681
Forestry	Market approach	-	570,300	-	570,300
Macadamia	Market approach	-	-	68,932	68,932
		-	718,057	217,298	935,355

There were no transfers between any levels during the year.

## Notes (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 2020

Description	Fair value at 31 December	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
	<b>Shs'000</b>				
Avocado Produce	170,293	Market approach	Yield - Kgs per Hectare	15,799 - 16,630	The higher the yield, the higher the value
			Net price per carton	€5.69 - €5.99	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	KShs126.9 - KShs133.6 for €1	The higher the exchange rate, the higher the fair value

#### Year ended 31 December 2019

Description	Fair value at 31 December	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
	<b>Shs'000</b>				
Avocado Produce	103,567	Market approach	Yield - Kgs per Hectare	17,157 - 18,060	The higher the yield, the higher the value
			Net price per carton	€4.56 - €4.80	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	KShs108.1 - KShs113.8 for €1	The higher the exchange rate, the higher the fair value



## Notes (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 2020

Description	Fair value at 31 December	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
	<b>Shs'000</b>				
Avocado Produce	96,653	Market approach	Yield - Kgs per Hectare	16,749 - 17,630	The higher the yield, the higher the value
			Net price per carton	€4.78 - €5.03	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	KShs126.9 - KShs133.6 for €1	The higher the exchange rate, the higher the fair value

#### Year ended 31 December 2019

Description	Fair value at 31 December	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
	<b>Shs'000</b>				
Avocado Produce	44,799	Market approach	Yield - Kgs per Hectare	18,791 - 19,780	The higher the yield, the higher the value
			Net price per carton	€4.27 - €4.49	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	KShs108.1 - KShs113.8 for €1	The higher the exchange rate, the higher the fair value

## Notes (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 2020

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	95,852	Market approach	Yield Kgs/Ha	609 - 641	The higher the yield, the higher the value
			Net price per kg of Saleable Kernel	USD14.14 - USD14.88	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	KShs103.74 - KShs109.2 for 1 USD	The higher the exchange rate, the higher the fair value

#### Year ended 31 December 2019

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	68,932	Market approach	Yield Kgs/Ha	599 - 630	The higher the yield, the higher the value
			Net price per kg of Saleable Kernel	USD15.92 - USD16.76	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	KShs96.28 - KShs101.35 for 1 USD	The higher the exchange rate, the higher the fair value

## Notes (continued)

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

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

	<b>Group &amp; Company</b>				
	<b>Avocado Shs'000</b>	<b>Macadamia Shs'000</b>	<b>Tea Shs'000</b>	<b>Blueberries Shs'000</b>	<b>Total Shs'000</b>
<b>Year ended 31 December 2020</b>					
At start of year	148,366	68,932	2,681	-	219,979
Increase due to purchases and development	325,338	202,912	261,396	29,944	819,590
Decrease due to harvest and sales	(325,338)	(202,912)	(261,396)	(29,944)	(819,590)
Gains/ (losses) arising from changes in fair value less estimated point-of-sale costs	118,581	26,919	(709)	-	144,791
	<u>266,947</u>	<u>95,851</u>	<u>1,972</u>	<u>-</u>	<u>364,770</u>
<b>Year ended 31 December 2019</b>					
At start of year	128,644	57,708	2,401	-	188,753
Increase due to purchases and development	294,284	150,024	185,640	25,238	655,186
Decrease due to harvest and sales	(294,284)	(150,024)	(185,640)	(25,238)	(655,186)
Gains arising from changes in fair value less estimated point-of-sale costs	19,722	11,224	280	-	31,226
	<u>148,366</u>	<u>68,932</u>	<u>2,681</u>	<u>-</u>	<u>219,979</u>

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.



## Notes (continued)

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

	<b>2020</b>	<b>2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Fair value of the agricultural produce harvested during the year after deducting costs to sell:		
Tea (green leaf)	245,801	202,390
Avocado	1,418,201	1,221,452
Blueberries	7,587	2,311
Macadamia	645,420	483,543
Others	325,587	278,633
	<u>2,642,596</u>	<u>2,188,329</u>

Other agricultural produce relates to forestry and livestock operations.

### 7 Other income – Group and Company

	<b>2020</b>	<b>2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Net foreign exchange gain other than cash and cash equivalents	7,119	1,232
Gain on disposal of property, plant and equipment	1,958	1,658
Rental Income	6,401	3,890
Sundry	16,076	13,796
	<u>31,554</u>	<u>20,576</u>

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

### 8 Interest and other income and finance costs - Group and Company

	<b>2020</b>	<b>2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Interest and other income</b>		
Interest income on short term bank deposits	79,701	117,021
Net exchange gains on foreign currency cash & cash equivalent	65,358	-
	<u>145,059</u>	<u>117,021</u>
<b>Finance costs</b>		
Interest on lease liabilities	33	33
Net exchange losses on foreign currency cash & cash equivalents	-	7,483
	<u>33</u>	<u>7,516</u>
Net interest income and finance costs	<u>145,026</u>	<u>109,505</u>

## Notes (continued)

### 9 Expenses by nature – Group and Company

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

	<b>2020</b>	<b>2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Cost of inventories sold	1,575,535	1,256,499
Employee benefits expense (Note 10)	790,712	697,437
Depreciation on property, plant and equipment (Note 18)	233,970	197,103
Repairs and maintenance expenditure on property, plant and equipment	156,566	83,882
Exceptional legal expenses (Note (a) below)	137,481	-
Directors remuneration	11,917	9,707
Auditor's remuneration	6,554	6,395
Depreciation of right of use assets (Note 19)	446	10
Gain on disposal of property plant and equipment	(1,958)	(1,658)
Gains arising from changes in fair value less costs to sell of non-current biological assets (Note 6 (i))	(57,813)	(83,414)
	<u>790,712</u>	<u>697,437</u>

(a) The exceptional legal expenses are legal costs incurred both in Kenya and the UK by the Company defending itself from legal claims brought against it (together with the Parent Company and certain fellow UK subsidiaries) by a UK law firm which wanted to bring the Company into the jurisdiction of the United Kingdom. The Company was dropped as a party to these UK proceedings in July 2020.

### 10 Employee benefits expense – Group and Company

The following items are included within employee benefits expense:

	<b>2020</b>	<b>2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Salaries and wages	756,515	659,443
Post employment benefits costs:		
- Post employment benefit obligations (Note 16)	22,562	19,141
- Defined contribution pension scheme	4,380	6,349
- National Social Security Fund	7,255	12,504
	<u>790,712</u>	<u>697,437</u>

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

	<b>2020</b>	<b>2019</b>
Management	64	63
Permanent unionisable employees	1,018	756
Other unionisable employees	2,678	2,188
	<u>3,760</u>	<u>3,007</u>

## Notes (continued)

### 11 Income tax – Group and Company

#### (a) Taxation charge

	2020 Shs'000	2019 Shs'000
<i>Current tax</i>		
Current tax on profit for the year	154,131	187,491
<i>Deferred income tax</i>		
Deferred income tax charge for the year	71,323	113,547
Prior year under provision	44	-
Total deferred income tax expense (Note 15)	71,367	113,547
Income tax expense	225,498	301,038

#### (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:

	2020 Shs'000	2019 Shs'000
Profit before income tax	847,532	1,014,477
Tax calculated at the statutory income tax rate of 25% (2019: 30%)	211,883	304,343
Tax effect of:		
Income not subject to income tax	(6,294)	(9,305)
Expenses not deductible for income tax purposes	7,977	6,000
Effect of change in the tax rate	11,888	-
Under provision of deferred tax in prior years	44	-
Taxation charge	225,498	301,038

On 25 March 2020, the Kenyan government announced tax measures to in response to the COVID-19 and on April 25, 2020, the Income tax Act amended Paragraph 2(a) Head B of the Third Schedule to the Income Tax Act by reducing the corporate income tax rate to 25% from the previous 30%.

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

	2020 Shs'000	2019 Shs'000
<b>Remeasurement of post-employment benefit obligations:</b>		
Actuarial gain (Note 16)	700	16,872
Charge to other comprehensive income (Note 15)	(210)	(5,062)
Net charge to other comprehensive income	490	11,810

## Notes (continued)

### 11 Income tax – Group and Company (Continued)

#### (d) Current tax (recoverable)/payable

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
At start of year	35,355	(81,582)	35,408	(81,529)
Taxation charge (Note 11 (a))	154,131	187,491	154,131	187,491
Paid during the year	(209,150)	(70,554)	(209,150)	(70,554)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	(19,664)	35,355	(19,611)	35,408
	<hr/>	<hr/>	<hr/>	<hr/>

### 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 2020 and 31 December 2019 as follows:-

	2020	2019
Profit attributable to equity holders of the Group (Shs '000)	622,034	713,439
	<hr/>	<hr/>
Number of ordinary shares in issue (thousands)	19,600	19,600
	<hr/>	<hr/>
Basic and diluted earnings per ordinary share (Shs)	31.74	36.40
	<hr/>	<hr/>

The Group had no potentially dilutive ordinary shares outstanding at 31 December 2020 and 31 December 2019.

#### ii) Dividends per ordinary share

At the annual general meeting to be held on 18 May 2021, the Directors will recommend the payment of a first and final dividend of 360% (2019: 280%) of par value equivalent to Shs 18.00 per ordinary share (Shs 352,800,000 in respect of the year ended 31 December 2020 ((2019: Shs 14.00 per ordinary share) (Shs 274,400,000))((2018: Shs 9.00 per ordinary shares (Shs 176,400,000))).

### 13 Share capital

	Number of ordinary shares (Thousands)	Ordinary share capital Shs '000
<b>Authorised</b>		
At 1 January 2019, 31 December 2019 and 31 December 2020	20,000	100,000
	<hr/>	<hr/>
<b>Issued</b>		
At 1 January 2019, 31 December 2019 and 31 December 2020	19,600	98,000
	<hr/>	<hr/>

The par value of the shares is Shs 5



## Notes (continued)

### 14 Borrowing facilities – Group and Company

	<b>2020</b> <b>Shs'000</b>	<b>2019</b> <b>Shs'000</b>
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 2021.

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.

### 15 Deferred income tax – Group and Company

Deferred income tax is calculated using the enacted tax rate of 30% (2019: 30%). The net deferred taxation liability is attributable to the following items:

	<b>2020</b> <b>Shs'000</b>	<b>2019</b> <b>Shs'000</b>
Property, plant and equipment	755,908	742,482
Biological assets	284,181	237,084
Other temporary differences	(36,346)	(47,400)
Net deferred income tax liability	1,003,743	932,166

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

	<b>2020</b> <b>Shs'000</b>	<b>2019</b> <b>Shs'000</b>
At start of year	932,166	813,557
Charge to profit or loss (Note 11(a))	71,367	113,547
Charge to other comprehensive income (Note 11(c))	210	5,062
At end of year	1,003,743	932,166

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

	<b>2020</b> <b>Shs'000</b>	<b>2019</b> <b>Shs'000</b>
Deferred income tax assets	(36,346)	(47,400)
Deferred income tax liabilities	1,040,089	979,566
	1,003,743	932,166

## Notes (continued)

### 16 Post employment benefit obligations – Group and Company

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

	<b>2020</b> <b>Shs'000</b>	<b>2019</b> <b>Shs'000</b>
Present value of post employment benefit obligations	109,585	93,066
Split as follows:		
Non-current portion	76,354	74,500
Current portion	33,231	18,566

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

	<b>2020</b> <b>Shs'000</b>	<b>2019</b> <b>Shs'000</b>
At start of year	93,066	95,233
Net expense recognised in statement of profit or loss and other comprehensive income	21,862	2,269
Benefits paid	(5,343)	(4,436)
At end of year	109,585	93,066

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

	<b>2020</b> <b>Shs'000</b>	<b>2019</b> <b>Shs'000</b>
Current service cost	5,537	6,230
Past service cost	4,554	10
Interest on obligation	12,471	12,901
Total included in employee benefits expenses (Note 10)	22,562	19,141
Actuarial gain recognised in other comprehensive income (Note 11(c))	700	16,872

**Notes (continued)**

**16 Post employment benefit obligations Group and Company (continued)**

	31 December 2020			31 December 2019		
	Gratuity (Makuyu) Shs'000	Gratuity (Nandi Hills) Shs'000	Total Shs'000	Gratuity (Makuyu) Shs'000	Gratuity (Nandi Hills) Shs'000	Total Shs'000
At start of year	70,632	22,434	93,066	67,178	28,055	95,233
Current service cost	4,247	1,290	5,537	4,520	1,710	6,230
Past service cost	4,554	-	4,554	-	10	10
Interest expense	9,548	2,923	12,471	9,169	3,732	12,901
	18,349	4,213	22,562	13,689	5,452	19,141
Remeasurements:						
Losses/(gains) from change in assumptions	490	(28)	462	(7,402)	(7,915)	(15,317)
Experience (gains)/losses	(558)	(604)	(1,162)	(506)	(1,049)	(1,555)
	(68)	(632)	(700)	(7,908)	(8,964)	(16,872)
Benefits paid	(2,859)	(2,484)	(5,343)	(2,327)	(2,109)	(4,436)
At end of year	86,054	23,531	109,585	70,632	22,434	93,066

## Notes (continued)

### 16 Post employment benefit obligations Group and Company (continued)

The principal actuarial assumptions used are as follows:

	Gratuity (Makuyu)		Gratuity (Nandi Hills)	
	2020	2019	2020	2019
Discount rate (% p.a.)	13.3%	13%	13.3%	13%
Future salary increases (% p.a.)				
first year	10%	7.5%	10%	7.5%
second year	7.5%	7.5%	7.5%	7.5%
Thereafter	7.5%	7.5%	7.5%	7.5%
<b>Mortality (pre-retirement)</b>	<b>A 1949 - 1952</b>	<b>A 1949 - 1952</b>	<b>A 1949 - 1952</b>	<b>A 1949 - 1952</b>
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	60 years	60 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 5,009,000
Salary growth rate	by 1%	Not material

## Notes (continued)

### 16 Post employment benefit obligations Group and Company (continued)

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

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

#### Five year summary:

	2020 Shs'000	2019 Shs'000	2018 Shs'000	2017 Shs'000	2016 Shs'000
Present value of post employment benefit obligations – Group and Company	109,585	93,066	95,233	85,166	76,492
Net expense/(income) recognised in the statement of profit or loss and other comprehensive income – Group and Company					
- within 'cost of sales'	22,562	19,141	17,277	16,065	15,116
- within 'other comprehensive income/(loss)'	(490)	(11,810)	(3,046)	(1,735)	(5,936)

#### **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 (continued)

### 17 Lease obligations – Group and Company

	2020 Shs'000	2019 Shs'000
The movement in the lease liabilities is as follows:		
Balance at 1 January	412	379
Interest on lease liabilities	33	33
Lease payments	(13)	-
	<u>432</u>	<u>412</u>
Amounts due for settlement within 12 months	59	31
Amounts due for settlement after 12 months	<u>373</u>	<u>381</u>
	<u>432</u>	<u>412</u>
Year 1	59	31
Year 2	26	28
Year 3	24	26
Year 4	23	24
Year 5	21	23
Onwards	<u>279</u>	<u>280</u>
	<u>432</u>	<u>412</u>

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 (continued)

### 18 Property, plant and equipment

#### Group and Company

	Bearer plants Shs'000	Buildings, freehold land, dams and improvements Shs'000	Plant & machinery Shs'000	Motor vehicles, tractors, trailers and implements Shs'000	Furniture, fittings and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
<b>Year ended 31 December 2020</b>							
<b>Cost</b>							
At start of year	1,350,977	1,639,426	345,000	331,760	153,178	470,331	4,290,672
Transfers	63,652	87,606	11,417	-	-	(162,675)	-
Additions	-	139,591	54,661	33,238	8,439	113,050	348,979
Disposals	-	(1,366)	(123)	(12,873)	(197)	-	(14,559)
At end of year	1,414,629	1,865,257	410,955	352,125	161,420	420,706	4,625,092
<b>Depreciation and impairment</b>							
At start of year	299,298	579,578	185,795	220,049	92,718	-	1,377,438
Charge for the year	68,797	74,026	53,347	27,406	10,394	-	233,970
Eliminated on disposals	-	-	(123)	(8,043)	(139)	-	(8,305)
At end of year	368,095	653,604	239,019	239,412	102,973	-	1,603,103
Net book amount	1,046,534	1,211,653	171,936	112,713	58,447	420,706	3,021,989
<b>Depreciation and impairment at year end comprises:</b>							
Depreciation	368,095	653,604	239,019	239,412	102,973	-	1,603,103
Impairment	-	-	-	-	-	-	-
	368,095	653,604	239,019	239,412	102,973	-	1,603,103

Property, plant and equipment stated at cost of Shs 513,347,817 have been fully depreciated. The notional annual depreciation charge in respect of these values would have been Shs 61,782,521. There were no items of property, plant and equipment whose title were restricted or pledged as security for liabilities as at 31 December 2020 (2019: none).

Based on an impairment review performed by the directors at 31 December 2020, no indication of further impairment of property, plant and equipment were identified (2019: 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 (continued)**

**18 Property, plant and equipment (continued)**

**Group and Company**

	<b>Bearer plants Shs'000</b>	<b>Buildings, freehold land, dams and improvements Shs'000</b>	<b>Plant &amp; machinery Shs'000</b>	<b>Motor vehicles, tractors, trailers and implements Shs'000</b>	<b>Furniture, fittings and equipment Shs'000</b>	<b>Capital work in progress Shs'000</b>	<b>Total Shs'000</b>
<b>Year ended 31 December 2019</b>							
<b>Cost</b>							
At start of year	1,318,912	1,356,116	292,347	308,671	111,223	576,319	3,963,588
Transfers	100,873	139,450	26,156	1,589	21,880	(289,948)	-
Additions	-	143,880	26,497	34,359	20,770	183,960	409,466
Disposals	(68,808)	(20)	-	(12,859)	(695)	-	(82,382)
At end of year	<u>1,350,977</u>	<u>1,639,426</u>	<u>345,000</u>	<u>331,760</u>	<u>153,178</u>	<u>470,331</u>	<u>4,290,672</u>
<b>Depreciation and impairment</b>							
At start of year	301,154	518,388	160,812	197,674	80,039	-	1,258,067
Charge for the year	66,952	61,210	24,983	30,584	13,374	-	197,103
Eliminated on disposals	(68,808)	(20)	-	(8,209)	(695)	-	(77,732)
At end of year	<u>299,298</u>	<u>579,578</u>	<u>185,795</u>	<u>220,049</u>	<u>92,718</u>	<u>-</u>	<u>1,377,438</u>
Net book amount	<u>1,051,679</u>	<u>1,059,848</u>	<u>159,205</u>	<u>111,711</u>	<u>60,460</u>	<u>470,331</u>	<u>2,913,234</u>
<b>Depreciation and impairment at year end comprises:</b>							
Depreciation	299,298	573,907	185,237	220,049	92,632	-	1,371,123
Impairment	-	5,671	558	-	86	-	6,315
	<u>299,298</u>	<u>579,578</u>	<u>185,795</u>	<u>220,049</u>	<u>92,718</u>	<u>-</u>	<u>1,377,438</u>

Property, plant and equipment stated at cost of Shs 412,007,183 have been fully depreciated. The notional annual depreciation charge in respect of these values would have been Shs 65,262,957.

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 (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:

	2020 Shs'000	2019 Shs'000
<b>Cost</b>		
At start of year	4,791	-
Recognised on adoption of IFRS 16	-	412
Reclassified from prepaid operating lease rentals (Note 19)	-	4,379
At end of year	<u>4,791</u>	<u>4,791</u>
<b>Depreciation</b>		
At start of year	10	-
Charge for the year	<u>446</u>	<u>10</u>
At end of year	<u>456</u>	<u>10</u>
At end of year	<u>4,335</u>	<u>4,781</u>
<b>Amounts recognised in profit and loss</b>		
Depreciation expense of right of use assets	446	10
Interest expenses on lease liabilities	<u>33</u>	<u>33</u>
	<u>479</u>	<u>43</u>

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 (2019: Nil).

## Notes (continued)

### 20 Investment in subsidiaries-Company only

The subsidiary companies are all wholly owned, incorporated in Kenya and have the same year end. Estates Services Limited and Kaguru EPZ Limited are wholly owned and are dormant.

	<b>Kaguru EPZ Limited Shs'000</b>	<b>Estates Services Limited Shs'000</b>	<b>Total Shs'000</b>
<b>Year ended 31 December 2020</b>			
At start of year	1,670	2,625	4,295
At end of year	<u>1,670</u>	<u>2,625</u>	<u>4,295</u>
	<b>Kaguru EPZ Limited Shs'000</b>	<b>Estates Services Limited Shs'000</b>	<b>Total Shs'000</b>
<b>Year ended 31 December 2019</b>			
At start of year	1,670	2,625	4,295
At end of year	<u>1,670</u>	<u>2,625</u>	<u>4,295</u>

There were no restrictions on the Groups ability to access or use assets of the subsidiaries to settle the Groups liabilities at 31 December 2020 and 31 December 2019.

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

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

	<b>Maturity rate Average Interest Rate</b>	<b>Maturity date</b>	<b>2020 Shs'000</b>	<b>2019 Shs'000</b>
Treasury Infrastructure Bonds	12.50%	18-Nov-24	200,000	200,000

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

	<b>2020 Shs'000</b>	<b>2019 Shs'000</b>
At start of year	200,000	215,385
Redeemed in the year	-	<u>(15,385)</u>
At end of year	<u>200,000</u>	<u>200,000</u>
Non current portion	200,000	200,000
Current portion	-	-
	<u>200,000</u>	<u>200,000</u>

The Directors consider that the carrying amounts of the financial assets held to maturity in the consolidated 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 2020 (2019: Nil).

## Notes (continued)

### 22 Inventories – Group and Company

	2020 Shs'000	2019 Shs'000
Spare parts and consumable materials	165,466	141,190
Avocado	-	108,368
Macadamia nuts	220,638	92,556
Blueberries	-	72
Poles & timber	<u>48,912</u>	<u>59,507</u>
Total inventories	<u><u>435,016</u></u>	<u><u>401,693</u></u>

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 1,575,535,000 (2019: Shs 1,256,499,000). There were no write downs during the year (2019: Nil).

### 23 Receivables and prepayments – Group and Company

	2020 Shs'000	2019 Shs'000
Trade receivables	251,981	29,555
Loss allowance	<u>(5,324)</u>	<u>(4,934)</u>
Trade receivables - net	246,657	24,621
Due from related companies (Note 27(v))	49,814	37,815
Staff debtors	35,264	41,569
Value Added Tax (VAT) Refunds receivable	60,963	107,253
Other receivables and prepayments	<u>70,057</u>	<u>98,584</u>
	462,755	309,842
Less non current portion	<u>(35,555)</u>	<u>(34,624)</u>
Current receivables & prepayments	<u><u>427,200</u></u>	<u><u>275,218</u></u>
Non current receivables	<u><u>35,555</u></u>	<u><u>34,624</u></u>

Other receivables comprise trade deposits and a shipping rebate

As at 1 January 2019, trade receivables from contracts with customers amounted to Shs 100,485,000 (net of loss allowance of Shs 4,834,000).

Non current receivables are due within five years from reporting date and are secured and interest free. None of the amounts were impaired (2019: Nil).

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

#### 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 debtor 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.

31/12/2020 & 31/12/2019	Trade receivables – days past due					Total Shs'000
	Not past due Shs'000	<30 Shs'000	31 - 60 Shs'000	61 - 90 Shs'000	>90 Shs'000	
Expected credit loss rate	0%	0%	0%	0%	0%	0%
	=====	=====	=====	=====	=====	=====

## Notes (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
Balance at 1 January 2019	-	4,834	4,834
Loss allowance charge for the year 2019	-	100	100
Balance as at 31 December 2019	-	4,934	4,934
Loss allowance charge for the year 2020	-	390	390
Balance as at 31 December 2020	-	5,324	5,324

### 24 Payables and accrued expenses

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Trade payables	86,353	73,458	86,353	73,458
Due to related companies (Note 27(v))	-	8	8,383	8,391
Accrued expenses	24,045	19,379	24,045	19,379
Leave obligations	34,434	23,727	34,434	23,727
Other payables	81,775	65,139	81,775	65,139
	226,607	181,711	234,990	190,094

Other payables relate to provisions 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:

	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
At start of year	23,727	24,181	23,727	24,181
Charge for the year	54,757	36,418	54,757	36,418
Paid during the year	(44,050)	(36,872)	(44,050)	(36,872)
At end of year	34,434	23,727	34,434	23,727

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

## Notes (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:-

	<b>2020</b>	<b>2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Cash at bank and in hand	925,461	82,892
Short term deposits	744,663	1,613,238
	<u>1,670,124</u>	<u>1,696,130</u>

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:

	<b>2020</b>	<b>2019</b>
Kenya Shillings deposits	6.94%	8.63%
United States Dollar deposits	3.18%	3.63%

The Directors consider that the carrying amounts of cash and cash equivalents in the consolidated financial statements approximate their fair values.

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 2020 (2019: Nil).

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

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

	<b>2020</b>	<b>2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Profit before income tax	847,532	1,014,477
Adjustments for:		
Net exchange (gains)/losses on foreign currency cash & cash equivalents (Note 8)	(65,358)	7,483
Interest expense on lease liabilities (Note 8)	33	33
Interest income (Note 8)	(79,701)	(117,021)
Depreciation (Note 18)	233,970	197,103
Depreciation of right of use assets (Note 19)	446	10
Gain on disposal of property, plant and equipment	(1,958)	(1,658)
Gains arising from changes in fair value less estimated point-sale costs of biological assets (Note 6 (i))	(57,813)	(83,414)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 6 (i))	62,465	70,967
Fair value movement in biological assets – growing agricultural produce (Note 6 (ii))	(144,791)	(31,226)
Changes in working capital:		
- Increase in inventories	(33,323)	(232,217)
- (Increase)/decrease in receivables and prepayments	(152,913)	80,967
- Increase/(decrease) in payables and accrued expenses and lease obligations	44,896	(181,098)
- Increase in post-employment benefit obligations	17,219	14,705
	<u>670,704</u>	<u>739,111</u>

## Notes (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 companies that are related to Kakuzi Plc through common shareholdings or common Directorships. 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 related parties:

	<b>2020</b>	<b>2019</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>i) Sale of goods to:</b>		
Eastern Produce Kenya Limited	129,366	113,307
	<u>          </u>	<u>          </u>
<b>ii) Purchase of goods and services from:</b>		
RBDA Kenya Branch	125,112	104,592
Eastern Produce Kenya Limited	71,759	65,897
	<u>          </u>	<u>          </u>
	196,871	170,489
	<u>          </u>	<u>          </u>
<b>iii) Key management compensation</b>		
Salaries and other short-term employment benefits	58,767	58,377
Post employment benefits	357	12
	<u>          </u>	<u>          </u>
	59,124	58,389
	<u>          </u>	<u>          </u>
<b>iv) Directors' remuneration</b>		
Fees for services as a Director	11,529	9,240
Other emoluments	388	467
	<u>          </u>	<u>          </u>
	11,917	9,707
	<u>          </u>	<u>          </u>

The purchase of goods and services includes a charge in relation to the Executive Directors remuneration (including value of benefits in kind) amounting to Shs 28,584,000 (2019: 26,327,000).

## Notes (continued)

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

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

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
<b>Due from related Companies</b>				
Eastern Produce Kenya Limited	34,104	32,948	34,104	32,948
RBDA Kenya Branch	15,710	4,867	15,710	4,867
	<u>49,814</u>	<u>37,815</u>	<u>49,814</u>	<u>37,815</u>
<b>Due to related Companies</b>				
Estates Services Limited	-	-	2,570	2,570
Kaguru EPZ Limited	-	-	5,813	5,813
Eastern Produce Estates South Africa (Pty) Ltd	-	8	-	8
	<u>-</u>	<u>8</u>	<u>8,383</u>	<u>8,391</u>

### 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:

	2020	2019
	Shs'000	Shs'000
Property, plant and equipment	<u>18,532</u>	<u>38,567</u>

### 29 Contingent liabilities

Various claims have been submitted against the Group in relation to different litigations. It is not practical to estimate the potential effect of these claims 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 would not have a material effect on the Group's consolidated and separate financial statements.

### 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 2020.

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## Five year record

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Turnover	3,608,941	2,888,662	3,152,831	2,823,926	2,651,199
Profit before income tax	847,532	1,014,477	684,083	849,123	757,779
Income tax	(225,498)	(301,038)	(202,489)	(257,480)	(195,354)
Profit after income tax	622,034	713,439	481,594	591,643	562,425
Profit attributable to the members of Kakuzi Plc	622,034	713,439	481,594	591,643	562,425
Dividends: -					
Proposed final dividend - for the year	352,800	274,400	176,400	137,200	117,600
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves	5,464,308	5,116,184	4,567,335	4,219,895	3,748,258
Total equity	5,562,308	5,214,184	4,665,335	4,317,895	3,846,258
Basic earnings per ordinary share (Shs)	31.74	36.40	24.57	30.19	28.70
Dividends per ordinary share (Shs)	18.00	14.00	9.00	7.00	6.00
Dividend cover	1.76	2.60	2.73	4.31	4.78
Total equity per ordinary share (Shs)	283.79	266.03	238.03	220.30	196.24

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 2020 were:

<b>Shareholder name</b>	<b>Number of ordinary shares</b>	<b>%</b>
1 John Kibunga Kimani	6,330,699	32.30%
2 Bordure Limited	5,107,920	26.06%
3 Lintak Investments Limited	4,828,714	24.64%
4 Standard Chartered Nominees a/c 9532	429,134	2.19%
5 G.H. Kluge & Sons Limited	239,118	1.22%
6 HSBC Global Custody Nominee (UK) Limited	200,000	1.02%
7 Kakuzi Neighbourhoods Development Foundation	155,500	0.79%
8 Joe B.Wanjui	122,004	0.62%
9 John Okuna Ogango	107,700	0.55%
10 Shah Chandrakant Keshavji & Shah Laxmiben Chandrakant Keshavji	61,698	0.31%
	<b>17,582,487</b>	<b>89.70%</b>

\* 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 2020 was:

<b>Ordinary shares range</b>	<b>Number of shareholders</b>	<b>Number of ordinary shares</b>	<b>%</b>
Less than 500	797	123,155	0.63%
501 to 5,000	427	769,738	3.93%
5,001 to 10,000	46	348,300	1.78%
10,001 to 100,000	40	838,017	4.28%
100,001 to 1,000,000	6	1,253,456	6.40%
Over 1,000,000	3	16,267,333	83.00%
	<b>1,319</b>	<b>19,599,999</b>	<b>100.00%</b>

I/We

.....

of ..... being a member of the above-named Group,

hereby appoint: ....., of

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

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

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

held on the **18th day of May 2021**, and at any adjournment thereof.

As witness my hand this ..... day of .....2021

Signed .....

Signed .....

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Group.
2. In the case of a member being a limited Group, 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 Group Secretary not less than 48 hours before the time of holding the meeting.

FOLD 2

STAMP

FOLD 1

**Kakuzi Plc  
P O Box 24  
Thika 01000  
Kenya**

FOLD 3

INSERT FLAP INSIDE