

**KAKUZI PLC**

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

**FOR THE YEAR ENDED  
31 DECEMBER 2023**

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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  
Mr. C J Flowers\*    Managing Director  
Mr. G H Mclean\*  
Mr. K R Shah  
Mr. D M Ndonye  
Mr. S N Waruhiu  
Mr. A N Njoroge  
Dr. J K Kimani  
Mrs P Ager  
\* British

## **REGISTERED OFFICE**

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

## **SUBSIDIARY COMPANIES**

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

## **SECRETARY**

John L G Maonga  
Maonga Ndonye Associates  
Jadala Place, Ngong Lane, Ngong Road  
P O Box 73248  
00200 NAIROBI  
Telephone (020) 2149923

## **ORDINARY SHARES**

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

## **REGISTRARS**

Custody & Registrars Services Limited  
IKM Place  
Tower B, 1<sup>st</sup> Floor  
5<sup>th</sup> Ngong Avenue  
P O Box 8484, NAIROBI 00100  
Telephone (020) 7608216  
Email: info@candrgroup.co.ke

## **AUDITOR**

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

## **BANKERS**

KCB Bank Kenya Limited  
P O Box 30081  
00100 NAIROBI  
  
NCBA Bank Kenya Plc  
P O Box 44599  
00100 NAIROBI

**NOTICE** is hereby given that the Ninety Sixth Annual General Meeting of the Members of the Company will be held in the Ballroom at Nairobi Serena Hotel, Nairobi on Tuesday, 14th May 2024 at 12.00 Noon for the following purposes:-

1. To read the notice convening the meeting.
2. To table the proxies received and confirm the presence of a quorum.
3. To approve the minutes of the Ninety Fifth Annual General Meeting held on 16<sup>th</sup> May 2023.
4. To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2023 together with the reports of the Chairman, the Directors and the Independent Auditors thereon.
5. To declare a first and final dividend of Kshs 24.00 per ordinary share (2022: Kshs. 24.00) for the Financial Year ended 31 December 2023.
6. To approve the Directors' Remuneration Report as detailed in the Annual Report for the Financial Year ended 31 December 2023.
7. To re-elect Directors:-
  - i) In accordance with Article 27 of the Company's Articles of Association and subject to approval by the shareholders pursuant to guideline 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Mr. Nicholas Ngang'a, a Director who is over seventy years old, retires by rotation and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.
  - ii) In accordance with Article 27 of the Company's Articles of Association and subject to approval by the shareholders pursuant to guideline 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Dr. John Kibunga Kimani, a Director who is over seventy years old, retires by rotation and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.
  - iii) 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.
8. In accordance with provisions of Section 769 of the Kenyan Companies Act, 2015, the following Directors, being members of the Board Audit & Risk Committee be re-elected to continue to serve as members of the said Committee:-
  - a) Mr. Daniel Mutisya Ndonge
  - b) Mr. Stephen Njoroge Waruhiu
  - c) Mr. Andrew Ndegwa Njoroge
9. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Kenyan Companies Act, 2015 and to authorise the Directors to fix the Auditors' remuneration for the ensuing Financial Year in accordance with the provisions of Section 724 (1) of the Kenyan Companies Act, 2015.
10. To transact any other business of an Annual General Meeting of which due notice has been received.

**BY ORDER OF THE BOARD**  
**J L G MAONGA**

**COMPANY SECRETARY**  
**19 March 2024**

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

## **RESULTS**

The Company closed the 2023 financial year on a stable footing despite a difficult market climate compounded by increased costs of production.

A lack of demand in the global macadamia markets heavily impacted pricing.

Consequently, your Company recorded a pre-tax profit of Ksh 664 Million (2022: Ksh 1,221.6 Million). The pre-tax profit drop is mainly attributed to a Ksh 354 Million pre-tax loss from our macadamia operations (2022: Ksh 635 Million Profit). However, the avocado operations performed well, recording a pre-tax profit of Ksh 1.4 Billion (2022: Ksh 0.8 Billion).

To mitigate some of the challenges arising from export macadamia sales, our domestic sales strategy is evolving to include the production of cold-pressed macadamia cooking oil and a range of value-added macadamia products.

Macadamia production in the year was 737 tons with sales volumes increasing from 2022 levels to 563 tons at an average price of US\$ 7.21. This was approximately half the previous year's value, where prices averaged US\$ 15.33.

For avocados, as a result of increased field production, enhanced packhouse and related handling efficiencies, exports surpassed the three million carton mark for the first time. This equates to 562 containers which sold with an average price for Hass of Euro 7.65 per carton (2022: Euro 7.95).

Our forestry, livestock, arable and blueberry operations in aggregate continued to show strong returns, registering a profit of Ksh 116 million. Tea operations also recorded a healthy profit of Ksh 64 million.

The international markets for our key export products remain dynamic, with challenges continuously emerging, compounded by exchange rate volatility. Within Europe, our main avocado market, the cost-of-living crisis has impacted consumer habits. However, key macadamia markets are showing some positive signs of recovery, albeit slower than we would hope for.

Our core credentials of being leaders in environmental sustainability and producing quality products with exemplary food standards, remain our points of difference which sets us apart from others.

After the successful launch of the new Kakuzi brand (Growing Together) and the value-added products range, I am pleased to announce that the Kakuzi Farm Market, together with its new Nyama Choma restaurant is proving to be in demand. This will translate into increased sales for our value-added range of products.

The diversification of our products' markets remains a key focus for your Company. In time, new opportunities for avocado sales in India and Malaysia will provide alternative opportunities. Likewise, in macadamia, regional and non-traditional market opportunities are developing. However, the domestic market for many of our products is proving to be an exciting place as we explore new ways to bring quality food to this growing group of consumers.

Our work in the ESG field was once again summarised in our 2022 report, '*Growing Together for People with Purpose*', which we have digitised on our website.

(<https://www.kakuzi.co.ke/documents/normal/KAKUZI%20PLC%202022%20ESG%20REPORT.pdf>)

We are better placed to be thought leaders in today's critical conversations by publishing what we do. We remain committed to lowering carbon emissions, enhancing water conservation, improving environmental stewardship, and producing quality food responsibly.

## **DIVIDEND**

Your Board recommends retaining the dividend per share at Shs 24.00.

## **OVERVIEW**

In 2023 the avocado markets in Europe remained reasonably firm. We continued to investigate opportunities in emerging export destinations such as China, India and Malaysia which, in time, will become complementary to our main customers. We expect more exports to these destinations in 2024.

The main competition for Kakuzi's fruit remains Peru. The sheer scale of Peruvian production compared to Kenya, can destabilize market prices in the early part of our export season, as was the case last year, from July to August. Prices for fruit arrivals after August generally improve, which was also experienced in 2023. Given the overall market conditions, a gross price for all our Hass exports of Euro 7.65 was a reasonable performance. Pinkerton, although a relatively small volume compared to Hass, sold at Euro 7.20 per carton.

The macadamia markets started to show signs of recovery in China and Europe but not the USA. However, the market was only active at much lower prices as producers cleared accumulated stock. The gross price of US\$ 7.21 per kilo was less than half the price obtained from contracts sold in 2022. The dramatic fall in the market occurred in the fourth quarter of 2022, thus impacting all of 2023's sales. As we reached the end of 2023, a significant increase in demand was noted, but prices still lag behind recent historical levels. Importantly, Kakuzi has been able to contract most of its 2023 production and enters the 2024 market with a significantly improved inventory position.

Our commitment to responsibly grown products is well known by our key customers. Still, we continue to develop this differentiation further, especially in relation to water stewardship and carbon disclosures. We have maintained our lead position by offering our customers a consistent holistic value proposition. As legislation in our key markets changes, we will see a move from voluntary ESG disclosures to mandatory requirements, which we welcome.

Turning to the domestic markets, many of you witnessed the rebranding of Kakuzi at the last Annual General Meeting. This brand, 'Growing Together' has now been magnified through the range of value-added products available from our farm market and online sales platforms. Macadamia oil sales are particularly encouraging, having first entered the market in September 2023.

The delivery to market of our cold-pressed macadamia oil products is already encouraging us to consider an expansion investment for our production plant. Our products' farm-to-plate, food safety credentials are recognized by discerning consumers both locally and overseas.

Consumers purchasing fresh meat from our butchery or sampling the restaurant are experiencing the quality Kakuzi stands for. Given current demand we may consider expanding this venture soon.

Sales of our wood products remains strong. Diversifying into value-added wood products has also highlighted some interesting consumer trends for other sustainable products, such as wooden paving slabs and kitchen chopping boards. Our forestry team continues to explore new product options for our discerning customers.

As mentioned, we are encouraged by the new varieties of blueberry, which have been established to replace the first cultivar propagated. Yield and quality targets have been met during the year, and we expect this volume to grow significantly in 2024. The Board is keeping this crop under close review to establish if it can be another worthy superfood for Kakuzi.

We have detailed and informative policies and reports about your Company, which are now available on our website, covering many different topics relating to our operations and our employees. We are also pleased to announce that your Company undertook its second Employee Satisfaction Survey this year with very encouraging results. This report is also available online, and I wish to highlight some key aspects.

Your Company now employs 76 managers and approximately 3,500 people. For managers, 96% are graduates, and 30% of our team are female. Most of the staff respondents affirmed that your Company's working culture and values make it an excellent workplace where they are treated fairly and respectfully.

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

The Company's commitment to partnership with the community continued with some key milestones being achieved. The JIKO KISASA program has been widely appreciated and therefore is being expanded to more households. The Primary School support program is also being expanded in response to high demand.

The Company continued to build relationships with our key stakeholders including trade union officials, community representatives, community-based organizations, national and county government officials, regulatory authorities, and local and international non-governmental organizations. These critical relationships are bolstered with the workings of the Independent Human Rights Mechanism (SIKIKI 2) which further facilitates open channels of communication aimed at receiving timely feedback for appropriate action.

The Company's community partnership remains broadly guided by the UN Sustainable Development Goals (SDGs): Good health and Well-being (SDG 3); Quality Education (SDG 4); Gender Equality (SDG 5); Clean water and Sanitation (SDG 6); Decent Work and Economic growth (SDG 8); and Climate Action (SDG 13).

In line with our recognized role as part of the solution to health challenges in our community, we partnered with the ministry of Health to organize free medical camps for three different localities. This was an increase on the two per year that we have previously conducted. In addition, we donated hospital equipment to local health facilities and participated in awareness creation initiatives regarding various health conditions.

We continue to invest significant resources in education programs. During the year, we provided a major facelift to Kitito Primary School. We also, donated classroom furniture and computers to 24 schools, provided resources to boards of management of three schools to employ six teachers and provided full secondary school scholarships to seven bright but needy students from the local community. Our efforts to improve access to clean water and sanitation saw us install rainwater harvesting tanks of 20,000 litres capacity in two educational institutions and construct eight sanitation facilities in schools and two community facilities. Our safety marshals program continued in the year with 30 female safety marshals being engaged to support and safely take school children from home to school and back.

While observing environmental sustainability in the conduct of our operations, we at the same time ensure we partner with the community in this effort. To this end we have so far fitted over 1,000 households with double energy saving cooking stoves (Jiko kisasa) The Company further donated 1,100 indigenous tree seedlings to learning institutions and community groups and facilitated how-to-plant sessions at neighboring villages. Our commitment to Climate Action is further demonstrated by the consistent measuring of our carbon footprint through our operations with a view to reducing emissions. We have done this now for the fourth year running.

In line with Decent Work & Economic Growth (SDG 8), the Company organized financial literacy and entrepreneurship training for five Self Help Groups and held mentorship forums on Company procurement processes to advance opportunities for 17 local women in business through linkages and new partnerships. Most of these women have since received approval to be suppliers to Kakuzi. In total, the Company spent Kshs. 51 million in payments to local suppliers and contractors.

Our community roads program saw us construct and rehabilitate roads which we allow the community members to freely use and access.

## **STRATEGIC GOALS & DEVELOPMENTS**

The Board's commitment to our strategic plan culminated in a comprehensive review in July 2023, where it examined the detailed plans for the Company, the cash flows and expected shareholder returns.

What is evident is that all agricultural developments of this scale take time to establish. Given Kakuzi's track record of steady growth, we are confident that the correct building blocks are in place to satisfy shareholders' needs.

### **STRATEGIC GOALS & DEVELOPMENTS (continued)**

Our objective remains to find a third key export crop and grow Kakuzi's brand in the domestic and international market. Kakuzi's products are highly appreciated by our growing customer base, and we intend to add more variety to this range in due course.

We have also tasked management to establish a credible investment plan for renewable energies. At this stage, we are examining solar, wind and pyrolysis options, among other sustainable energy options.

As many of you may know, the macadamia shell has the potential to be an excellent source of activated carbon, which can be used in our quest to become Carbon Neutral. The pyrolysis process converts the shell to activated carbon, and by doing this, we can also create an energy source to provide green electricity. In effect, we are turning a waste product into something of value.

The launch of our fourth ESG report, I believe, demonstrates our commitment to this essential and ever-increasing work stream. Carbon reporting will become mandatory in time. I am happy to announce that your Company is the first agricultural business in Kenya to report its carbon emissions for Scope 1 and 2 publicly. Scope 3 emissions are being calculated for 2023 and will feature in our next ESG report.

The Board has tasked Management to drive forward the government's initiatives of increasing tree cover. The Nginye Valley reforestation project is an ambitious undertaking that will re-establish and enhance some of the indigenous forests in this important water catchment.

### **STAFF**

Once again, I would like to appreciate the dedication of our staff members and especially thank the Board of Directors for their stewardship of your Company.

We also appreciate our social partners, the Kenya Plantation and Agricultural Workers Union (KPAWU), with whom we recently signed an updated Collective Bargaining Agreement (CBA). This will give employees a 16% wage award over the next two years.

### **LOOKING AHEAD**

We look forward with the view that we must continue to make good decisions for the long term. Diversification of crops, developing our markets and our value-add range, are key pillars to our future plans but, ensuring we do this in a manner that is responsible and responsive to the needs of climate action.

We remain committed to steering your Company to greater heights and ultimately securing its growth trajectory for sustained returns to your investment.

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

19 March 2024



Kakuzi's commitment to good community and stakeholder relations continued to be demonstrated through meaningful relationship building and strong partnerships with our stakeholders. We believe that playing our rightful role within the community in which we operate is beneficial to both the Company and the Community. Collaboration with, among others, employees, trade union officials, community leaders, community liaison officers, farmers' organizations, National and County government officials as well as local and international civil society organizations has ensured mutually beneficial working relations and partnerships, all of which are critical to our mantra of *Growing together*. Not only do we grow crops, but we also grow people and grow communities.

The Company has progressively invested in initiatives guided by the UN Sustainable Development Goals (SDGs): Good health and Well-being (SDG 3); Quality Education (SDG 4); Gender Equality (SDG 5); Clean water and Sanitation (SDG 6); Decent Work and Economic growth (SDG 8); and Climate Action (SDG 13). These initiatives are geared towards developing skills and capabilities that promote the building of a sustainable society.

The Community Relations Manager and the Community Liaison Officers continue to be a crucial part of Company Community partnerships with the support of other relevant Company managers. In addition, the Independent Human Rights Mechanism (SIKIKI 2) facilitates open channels of communication to receive timely feedback for appropriate action.

In 2023, through needs assessment and requests extended to the Company, Kakuzi invested in the following initiatives:

### **Good health and Well-being (SDG 3)**

In our commitment towards increasing access to treatment and care for communities neighboring the Company, Kakuzi in collaboration with the Ministry of Health organized free Medical camps in three locations; Gikono, Kinyangi and Makuyu areas to offer health education as well as preventive and curative services which included; cervical/prostate cancer screening, Covid-19 vaccination, HPV vaccination, nutrition assessment etc. for the local communities. 727 (238 Male and 489 Female) community members benefited from the different services offered during the outreach.

The Company continues to work closely with the local Government health facilities to improve service delivery to the community. The Company donated a 50-seater tent and 50 chairs to Community health volunteers in 7 community units (CUs) in Ithanga. This is expected to go a long way in supporting the implementation of other Government initiatives contributing to good health and well-being of the community.

To enhance access to care and treatment for the local communities the Company donated hospital equipment and office furniture to support service delivery in Gikono dispensary and Maragua subcounty hospital.

The Company also contributed to World mental Health day program by providing branded T-shirts in support of the celebrations commemorated at the County level on 10th of October themed "Mental health is a universal right" as part of our commitment towards promoting the well-being of the local communities.

Through our Tabasamu menstrual hygiene program, sensitization forums on menstrual health and hygiene were done in 7 learning institutions, over 2,700 menstrual absorbents were donated to 1,500 school going girls and 1,081 pieces of bar soaps were issued to over 500 boys in these institutions.

### **Quality Education (SDG 4)**

Promoting quality education is an important goal that has the potential to transform the lives of individuals and communities. Kakuzi continues to make significant contributions towards bettering access to quality education and retention by investing in School infrastructure and learning processes of the learners. To this end, Kakuzi renovated Kitito Primary school, a public school within the farm to foster a good learning environment for over 300 learners in junior secondary and Primary sections of the school.

### **Quality Education (SDG 4) (continued)**

The number of students being fully sponsored by Kakuzi to undertake their Secondary education has now risen to 7 and will continue to increase in the coming years. The Company has further initiated a mentorship program to support these learners as well as those attending the 3 public Primary schools in the farm to realize their full potential.

During the year, the Company donated 395 classroom furniture (desks, tables and seats) to 18 learning institutions within Murang'a County, directly supporting educational process to run effectively and create a good learning environment that promotes the realization of education goals.

In an effort to reduce pupil teacher ratio and enhance the learning experience for pupils in our local schools, the Company financed the Boards of Management of Kitito, Kinyangi and Kakuzi Primary Schools to employ a total of 6 additional teachers.

We donated 12 computers to 6 learning institutions to support computer literacy education and to computerize office operations in these institutions.

Our Safety Marshals' program continued with the 30 female Safety Marshals helping school-going children to safely get to school from home and get back home safely from school. The schools and parents are appreciative of this program.

### **Clean Water and Sanitation (SDG 6)**

Access to clean water and sanitation reduces health risks and supports education and other productive activities that are important towards creation of a sustainable society.

Kakuzi has continued to invest in construction of rain water harvesting systems and sanitation facilities in institutions to provide basic hygiene, support menstrual health and adequate sanitation for learners. We installed 2 rain harvesting facilities with a capacity of 10,000L each in 2 educational institutions and constructed 8 sanitation facilities in 2 community facilities.

### **Decent Work and Economic Growth (SDG 8)**

Economic empowerment sets a direct path towards poverty reduction and economic growth by providing communities with education, training and the skills they need to initiate sources of livelihood and reduce dependency.

In three phases, Kakuzi facilitated skills transfer to 101 (65 Male and 36 Female) youths from the local community and fitted over 1,000 households with double energy saving cooking stoves (Jiko kisasa), with economic, environmental and health benefits for beneficiary households.

The Company in partnership with Youth Empowerment for rural development (YARD) organized financial literacy and entrepreneurship training for 5 Self Help Groups, all of which the Company has supported with beekeeping projects and one group of Masons trained on construction and maintenance of energy saving jikos (jiko kisasa). The aim was to equip members of these groups with basic knowledge and skills on developing an entrepreneurial culture and setting effective financial management goals. The trainings were conducted in their different localities and reached a total of 95 individuals.

We had a mentorship forum on the Company's procurement process to advance opportunities to 17 local women in business through linkages and new partnerships, in order to support gender equality among suppliers and achieve economic independence for the locals. Most of these women have since been facilitated to be suppliers to Kakuzi. In total, the Company spent Kshs. 51 million in payments to local suppliers and contractors.

Kakuzi supported 4 learning institutions; Thangira, Kihara bahati, Kimotho Primary and Ndula Secondary Schools to initiate functional School avocado projects to generate additional resources to finance other School projects, ease burden on parents and to inculcate an agribusiness mindset on the learners.

### **Decent Work and Economic Growth (SDG 8) (continued)**

The Company facilitated a training session on Macadamia and Avocado farming to three Self Help Groups, reaching 75 individuals on post care and planting hass avocado and Macadamia. 130 macadamia seedlings and 345 avocado seedlings were donated to the three groups.

Kakuzi Sponsored 31 employees to take part in the annual Standard chartered Marathon, a platform for promoting awareness and raising funds for future makers initiatives in the communities we serve. The purpose of the initiative was to raise resources to tackle inequality and increase economic inclusion for young people.

### **Climate Action (SDG 13)**

Kakuzi continues to make efforts to set up processes and practices that enables the Company reduce negative environmental impact and increase efficiency in operations as part of our commitment towards environment management.

The Company donated 1,100 indigenous tree seedlings to learning institutions and community groups and facilitated a how-to-plant session during a day set aside for tree planting at Kanduri Village in Ithanga.

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

Kakuzi partnered with the National Environment Management Authority in Muranga to mark World Environment day celebrations under global theme “beat plastic pollution”. Kakuzi made donations and provided resource persons to make this day a success.

### **Roads and Bridges**

Infrastructure investment is a key component of our Community-Company Partnership (CCP) program. The company has continued to put resources in community roads to facilitate easy mobility, access to services and accelerate sustainable livelihoods.

Kakuzi partnered with the Mugumoini Community towards rehabilitation of Mugumoini road in Kirimiri location to facilitate ease of transportation.

We continued to rehabilitate and extend Kangangu road, Sunset to Kinyangi road, Kakuzi Primary School to Ithanga road, Ithanga to sunset road and Sunset to Munyu road. This is in our effort to enhance mobility of the employees and the surrounding communities.

### **BY ORDER OF THE BOARD**

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**K R SHAH**

19 March 2024

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**C J FLOWERS**

19 March 2024

The Directors submit their report together with the audited Financial Statements for the year ended 31 December 2023, which disclose the state of affairs of Kakuzi Plc (the “Group and the “Company”). The Annual Report and Financial Statements have been prepared in accordance with the Kenyan Companies Act, 2015.

## **PRINCIPAL ACTIVITIES**

The principal activities of the Group comprise:

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

The two subsidiary companies are dormant.

## **GROUP MISSION AND VISION**

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

## **BUSINESS REVIEW**

A review of the business of the Group is incorporated within the Chairman’s Statement on pages 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 453,517,000 (2022: Shs 845,804,000) has been added to retained earnings. The Directors recommend the approval of a first and final dividend of Shs 24.00 (2022: Shs 24.00) per ordinary share.

The results for the year are set out on page 43 in the attached Financial Statements.

## **ANNUAL GENERAL MEETING**

The Ninety Sixth Annual General Meeting of the Company will be held in the Ballroom at Nairobi Serena Hotel, Nairobi on Tuesday, 14th May 2024 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 2023		At 31 December 2022	
	Beneficial Ordinary shares	Non-Beneficial Ordinary shares	Beneficial Ordinary shares	Non-beneficial Ordinary shares
Mr. N Ng'ang'a	1,000	-	1,000	-
Mr. C J Flowers	-	-	-	-
Mr. G H Mclean	100	-	100	-
Mr. K R Shah	200	-	200	-
Mr. D M Ndongye	-	-	-	-
Mr. S N Waruhiu	-	-	-	-
Mr. A N Njoroge	-	-	-	-
Dr J K Kimani	6,525,223	-	6,520,433	-
Mrs P Ager	-	-	-	-

In accordance with Article 27 of the Company's Articles of Association and subject to approval by the shareholders pursuant to guideline 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Mr. Nicholas Ngang'a, a Director who is over seventy years old, retires by rotation and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.

In accordance with Article 27 of the Company's Articles of Association and subject to approval by the shareholders pursuant to guideline 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Dr. John Kibunga Kimani, a Director who is over seventy years old, retires by rotation 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.

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

- a) Mr. Daniel Mutisya Ndongye
- b) Mr. Stephen Njoroge Waruhiu
- c) Mr. Andrew Ndegwa Njoroge

## DISCLOSURE OF INFORMATION TO AUDITORS

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

## AUDITORS

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

## BY ORDER OF THE BOARD

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

19 March 2024

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 controls 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 19 March 2024 and signed on its behalf by:

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

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

## Overview of the Corporate Governance Framework

As a Board, we're committed to applying the highest standards of corporate governance and transparency, ensuring that the business is run in a professional, transparent, just and equitable manner to protect and enhance shareholder value and satisfy the interests of our stakeholders. The principles and standards adhered to by the Board have been developed with close reference to guidelines on corporate governance issued by the Capital Markets Authority, Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 (the Code) and other global best practices. In this statement, we give our investors and other stakeholders an insight into the governance activities of our Board and its Committees during the year ending 31 December 2023.

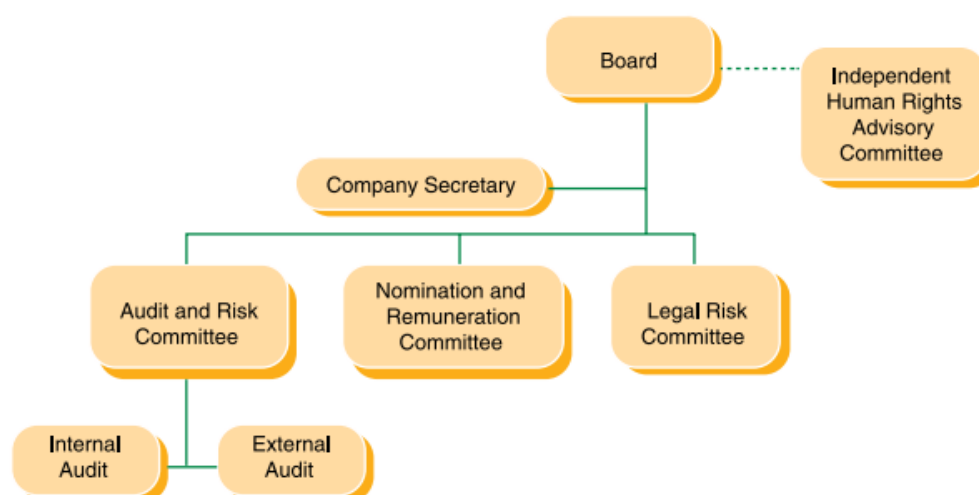
This Statement describes how the Group applies the main principles of the Code. The Group acknowledges and continues to consider the recommendations of the Code carefully and implement as appropriate. In implementing the Code, the Directors have taken account of the Group's size and structure and the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

The Board, in order to ensure that the Group is compliant, commissions a Governance Audit to be undertaken by an auditor, accredited by the Institute of Certified Public Secretaries of Kenya, every two years. A Governance audit has been undertaken for the year ending 31 December 2023 and the Governance Auditors report is on page 37.

This Corporate Governance Statement is current as at 31 December 2023 and has been approved by the Board of Directors.

## Governance Framework

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



## Board composition, size and independence

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

### Board composition, size and independence (continued)

At the date of this Annual Report and in line with the Articles of Association, the Board consisted of nine Directors, namely: the Chairperson, two Executive Directors, four Non-Executive Directors and two Independent Non-Executive Directors. The list of the Directors is on page 3 of this Annual Report and their abridged biographies appear on the Group's website, ([Management - Kakuzi](#)). Based on the size, complexity and governance needs of the Company, the current Board size is considered to be sufficient.

The Board has documented in its Board Charter the criteria for determining the independence status of the members of the Board of Directors which is in line with the Code. The Board is cognizant that it is required to at all times have at least one third of its members as Independent Directors and that out of the nine Directors only two are independent. The Board has begun the process and appointed one Independent Director during the year and will continue addressing this upon future retirement of Non-Executive Directors.

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

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

### Board Diversity

Our Board is committed to having a diverse, equitable and inclusive membership which ensures we have the range of perspectives and insight that is key for good decision making. Our Board is well composed in terms of the academic qualifications, technical expertise, experience, industry knowledge and balance of Executive, Non-Executive and Independent Directors. The Board recognizes that opportunities exist to consider diversity and gender balance and towards this end, appointed Ms. Pamella Ager as the first female Director. We have yet to comply with the provisions of the Code in relation to gender and as a Board will endeavor to ensure gender balance is achieved upon future retirement of Non-Executive Directors. Below is a highlight of the current Board diversity.

Director's Name	Occupation	Appointment Date
Mr. Nicholas Ng'ang'a – Chairman – Non-Executive Director	Farmer/Businessman	28 November 2002
Mr. Christopher Flowers – Managing Director (Executive Director)	Engineer	28 March 2013
Mr. Graham Mclean – Non-Executive Director	Agriculturist	01 January 2005
Mr. Daniel M Ndonge – Non-Executive Director	Accountant	29 November 2012
Mr. Stephen Waruhiu – Non-Executive Director	Valuer and Estate Agent	29 November 2012
Mr. Andrew Ndegwa Njoroge – Independent Director	Accountant	2 August 2016
Dr John Kibunga Kimani – Non-Executive Director	Agriculturist	1 November 2020
Mr. Ketan Shah – Finance Director (Executive Director)	Accountant	28 August 2007
Ms. Pamella Ager – Independent Director	Lawyer	1 April 2023

### Board appointment and re-appointment

The Board, assisted by the Board Nominations and Remuneration Committee, is responsible for identifying its members and recommending them for election by the shareholders, who are ultimately responsible for the appointment of Directors to the Board subject to regulatory approvals. During the year, the Nomination and Remuneration Committee reviewed the skills, experience and diversity on the Board and led the selection process for the appointment of Ms. Pamella Ager effective 1 April 2023.



### **Board appointment and re-appointment (continued)**

In accordance with the Code and the Company's Articles of Association, all serving Directors excluding the Managing Director, are subject to retirement by rotation and must seek re-election by shareholders at least once every three years. During the 2023 Annual General Meeting Mr. Ketan Shah, Mr. G.H Mclean and Ms. Pamella Ager offered themselves up for re-election and were re-elected by the shareholders. As provided by the Articles of Association, Ms. Pamella Ager having been appointed by the Board to fill a casual vacancy in the course of the year 2023 offered herself and was elected at the AGM held on 16 May 2023.

Prior to formal appointment, Directors are required to declare any Conflict of Interest that may undermine their position or service as Directors. Declaration of interest is a continuous process that is done at every meeting of the Board.

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

The Nomination and Remuneration Committee is tasked on an annual basis, to review the structure, size and composition (including the skills, knowledge, experience, gender and diversity) of the Board. Any further re-appointment of a Non-Executive Director, who has served the Board and attained the age of seventy (70) years is subject to a separate resolution that is approved by the shareholders.

### **Separation of roles and responsibilities: Chairman, Managing Director and Company Secretary**

The role of the Chairman is separate from that of the Managing Director and Company Secretary and there are distinct and clearly defined duties and responsibilities set out in writing in the Company's Board Charter. The separation of the functions of the Chairman (a Non-Executive Director) and the Managing Director (Executive Director) support and ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making. The roles of the Board are separated from that of the Management.

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

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.

The Board has delegated appropriate authority and limits through various Board approved policies relevant to the tasks to be overseen by Management. In addition, the Board has established Board Committees to assist it to effectively perform its mandate.

### Separation of roles and responsibilities: Chairman, Managing Director and Company Secretary (continued)

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

<b>Chairman</b>	<b>Managing Director</b>	<b>Company Secretary</b>
<ul style="list-style-type: none"> <li>• Setting the style and tone of Board discussions and creating the overall conditions for Board and Director Effectiveness.</li> <li>• Ensuring that the Board as a whole is enabled to play a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives.</li> <li>• Ensuring that the development of the Group's businesses and the protection of the reputation of the Group receive sufficient attention from the Board.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Directs and controls the work and resources of the Group and ensures the recruitment and retention of the required numbers and types of well-motivated, trained and developed staff to ensure that it achieves its mission and objectives.</li> <li>• Prepares and recommends to the Board, a long-term strategy and annual business plan and budgets and monitor progress against these plans to ensure that the Group attains its objectives as cost-effectively and efficiently as possible.</li> <li>• Provides strategic advice and guidance to the Chairperson and members of the Board, to keep them aware of developments within the industry and ensure that the appropriate policies are developed to meet the Group's mission and objectives and to comply with all relevant statutory and other regulations.</li> <li>• Establishes and maintains valid formal and informal links with major customers, relevant government departments and agencies, local authorities, key decision-makers and other stakeholders generally, to exchange information and views and to ensure that the Group is providing the appropriate range and quality of services.</li> <li>• Develops and maintains an effective marketing and public relations strategy to promote the products, services and image of the Group on the broader community.</li> <li>• Represents the Group in negotiations with customers, suppliers, government departments and other key contacts to secure for it the most effective contract terms.</li> <li>• Oversees the preparation of the Annual Report and Accounts of the Group and ensures their approval by the Board.</li> <li>• Develops and directs the implementation of policies and procedures to ensure that the Group complies with all statutory regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company Secretary facilitates effective communication between the organization and the shareholders.</li> <li>• Ensures that the Board complies with its obligations under the law and the Company articles of association;</li> <li>• Provides guidance to the Board on its duties and responsibilities and other matters of governance;</li> <li>• Assists the Chairperson of the Board in organizing the Board's activities;</li> <li>• Coordinates the governance audit process; and</li> <li>• Maintains and updates the register of conflict of interest.</li> </ul>

### Roles and Functions of the Board

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

## Roles and Functions of the Board (continued)

Matters reserved for the Board include;



## Board Meetings

The Board has in place a schedule of Board meetings, Committee meetings as well as the date of the Annual General meeting. The Board and its Committees meet regularly in accordance with business requirements. It is vital to the proper functioning of our Board and Committees that each Non-Executive Director is able to commit sufficient time to their role in order to discharge their responsibilities effectively. Directors make every effort to attend all Board and Committee meetings as part of their fiduciary duties and all Board and Committee meetings had full attendance during the reporting period. In addition to holding extra meetings when needed, the Board meets routinely at least four times a year at quarterly intervals. Four (4) Board meetings were held during the year 2023 and in addition had a Strategy day.

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

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

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

## 2023 BOARD & BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

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

Director	Classification	Designation		Board	Audit and Risk	Nomination and Remuneration	Legal risk	Strategy Day	IHRA*
Mr. Nicholas Ng'ang'a	Non-Executive	Chairman of the Board	Membership	√				√	
			Attendance	4/4	2/2			1/1	
Mr. Christopher Flowers	Executive	Managing Director	Membership	√		√		√	
			Attendance	4/4	2/2	5/5	6/6	1/1	
Mr. Graham Mclean	Non-Executive		Membership	√				√	
			Attendance	4/4	2/2			1/1	
Mr. Daniel Ndonge	Non-Executive	Chairman of the Audit and Risk Committee	Membership	√	√			√	
			Attendance	4/4	2/2			1/1	
Mr. Stephen Waruhiu	Non-Executive	Chairman of the Nomination and Remuneration Committee	Membership	√	√	√	√	√	
			Attendance	4/4	2/2	5/5	6/6	1/1	
Mr. Andrew Njoroge	Non-Executive	Chairman of the Legal Risk Committee	Membership	√	√	√	√	√	√
			Attendance	4/4	2/2	5/5	6/6	1/1	3/3
Dr John K Kimani	Non-Executive		Membership	√				√	
			Attendance	4/4	2/2			1/1	
Mr. Ketan Shah	Executive	Finance Director	Membership	√				√	
			Attendance	4/4	2/2			0/1	
Ms. Pamella Ager	Non-Executive		Membership					√	
			Attendance	3/4	1/2		2/6	1/1	

During the course of the year 2023, the Board focused on the following key areas:

#### Areas of focus

#### Key Deliberations in 2023

##### Strategy Development and Capital Planning

- Overseeing the Group's strategy and any changes and monitoring delivery.
- Approving any major capital project, corporate action or investment by the Company including investment in land, joint ventures and development arrangements.

- Developed a new strategy for the 2024-2033
- Establishing the Group's strategic objectives for the year, business plans and budgets and advising on implementation thereof
- Reviewed implementation of the Group's strategy including participation in strategy sessions.
- Considered risks and issues arising during the year including impact of regulatory changes and macroeconomic factors on strategic plan.
- Discussed strategic opportunities to create value and diversify our products evidenced by Management reports to the Board.
- Reviewing comprehensive market updates and recommending actions for implementation against the strategic plans.

##### Leadership, Governance and Ethics

- Changing the structure, size and composition of the Board following recommendations from the Nomination and Remuneration Committee.
- Making appointments to the Board, following recommendations from the Nomination Committee.
- Reviewing the performance of the Board and its Committees, individual Directors and the Group's overall corporate governance framework.
- Reviewing the Board's succession planning and diversity status and policies
- Reviewing the individual Directors' independence
- Facilitating induction and continued development education of the Directors with the aid of the Nomination and Remuneration Committee

- Approved the appointment of Pamella Ager in April 2023 and facilitated her induction process.
- Board evaluation, considered findings of 2021 evaluation and agreed priority actions for 2023.
- Review of the succession planning and diversity policies of the Board.
- All Board members attended training during the period of review that covered various areas of focus such as ESG among others.
- Reviewed the independence of the individual Board members.
- Monitoring compliance with good governance principles and practices and implementing measures for adherence including avoiding of conflict of interest.
- Undertaking an evaluation of the Group's Board, its Committees, Chairman's, Managing Director's and the Company Secretary's effectiveness and monitoring the implementation of the previous years' evaluation recommendations.

##### Business plan and performance

- Approving annual budget and business plan and regularly reviewing actual performance and latest forecasts against the budget and business plan, including proposed actions by Management to address performance issues.

- Approved 2024 budget and strategic plan
- Received reports on supply chain challenges and steps being taken by Management to manage and mitigate the issues and risks.
- Approved the financing facilities
- Reviewed and considered Management Directors reports

## Areas of focus

## Key Deliberations in 2023

### Financial reporting

- Approving final and interim results, trading updates, the Annual Report and the release of price sensitive information.
- Approving the dividend policy, determination of any interim dividend and the recommendation (subject to the approval of shareholders in general meeting) of any final dividend to be paid by the Company or any other distributions by the Company or purchase of own shares.

- Approved final results and interim results announcements.
- Confirmed and approved the final dividend following strong performance in 2022.
- Approved Annual Report and Notice of AGM.
- Reviewed and approved major contracts and tenders awarded.

### Internal Controls, Risk Management and Compliance

- Ensuring the Group has effective systems of internal control and risk management in place including approving the Group's risk appetite.

- Reviewed the effectiveness of the Group's risk management and internal control systems.
- Reviewed and approved the Group's risk matrix, principal and emerging risks.
- Received reports from the Audit and Risk Committee on the process for the management of risks and their associated mitigation plans, and the identification of emerging risks
- Received and reviewed internal auditor and external auditor reports

### Stakeholder engagement

- Considering the balance of interests between the Group's stakeholders.
- Meeting with stakeholders to receive and consider their views
- Receiving and considering the views of the Group's shareholders.

- Reviewed and considered feedback from an employee satisfaction survey undertaken during the year and Management's action plans to address the feedback.
- Received regular reports on engagement with the communities, regulators and suppliers among others.
- Monitored and considered stakeholder feedback and continued to actively promote wider engagement.

### Sustainability, ESG and Corporate Social Investment

- Overseeing the Group's sustainability strategy
- Reviewing the Group's sustainability strategy and its implementation.

- Reviewed progress against sustainability strategy and targets and agreed priorities for 2023.
- Approved the 2022 ESG report
- Review Board's oversight of climate-related risks and opportunities.
- Review Management's role in assessing and managing climate related risks and opportunities.
- Received and reviewed quarterly CSR reports.

### External Factors

- Overseeing, reviewing and discussing external matters arising that may significantly affect the company operations

- Effect of climate and weather patterns
- Impact of the ongoing conflict between Russia and Ukraine on Kenya's business environment.
- Changes in Government policy and the opportunities and threats arising thereof vis-à-vis the Group's business such issues surrounding land rates.
- Impact of inflation and the resultant monetary and fiscal policy actions on the economy.
- Effect of the extended drought on economic activity and especially on the agricultural sector.

## Board Committees

The Board delegates its powers and authorities from time to time to various Board Committees in order to ensure the operational efficiency and specific issues are being handled with relevant expertise. During the year under review, the Board had three Committees established in line with the Code: Audit and Risk Committee, Nomination and Remuneration Committee and Legal Risk Committee. Each Committee is governed and guided on their specific duties and authorities set out in its own terms of reference which are reviewed from time to time. The Committees are provided with all necessary resources to enable them to undertake their duties effectively.

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

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

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

The following are the detailed Committee functions and key deliberations for the year ending 31 December 2023:

Committees	Members	Major Functions	Key deliberations during FY2023
Audit and Risk Committee	<ul style="list-style-type: none"> <li>• Mr. Daniel M Ndonge (Chairperson)</li> <li>• Mr. Stephen Waruhiu</li> <li>• Mr. Andrew Ndegwa</li> </ul> <p>All the members of the Audit &amp; Risk Committee have the relevant qualifications and expertise in audit, financial management and accounting.</p>	<ul style="list-style-type: none"> <li>• to monitor the financial reporting process of the Group</li> <li>• to review the Group's financial control, internal control and risk management systems and arrangements under the Group's whistleblowing policy</li> <li>• to review the effectiveness of internal audit activities carried out by the Group's audit function and senior Management</li> <li>• to govern the engagement of external auditor and its performance</li> <li>• to review non-audit services provided by the external auditors.</li> </ul>	<ul style="list-style-type: none"> <li>• review of external auditors 2022 audit findings reports and audit plan for 2023</li> <li>• review of financial report for the year ended 31 December 2022</li> <li>• review of the internal audit reports</li> <li>• review of the risk map update reports</li> <li>• Review of the external auditor's reports</li> <li>• review of dividend and press announcement of interim and year-end financial results.</li> </ul>

### Board Committees (continued)

Committees	Members	Major Functions	Key deliberations during FY2023
Nomination and Remuneration Committee	<ul style="list-style-type: none"> <li>Mr. Stephen Waruhiu (Chairperson)</li> <li>Mr. Andrew Ndegwa</li> <li>Mr. Christopher Flowers</li> </ul>	<ul style="list-style-type: none"> <li>to review the structure, size and composition (including the skills, knowledge and experience) of the Board</li> <li>Annual review of the term limits and independence of the individual Directors.</li> <li>Board evaluation</li> <li>continuing professional development</li> <li>review of the Committee's terms of reference</li> <li>to oversee the Board's succession planning requirements and identify qualified individuals and to make recommendations to the Board on the appointment or re-appointment of Directors</li> <li>to review and recommend to the Board on the Group's policy and structure for remuneration of Directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Appointment and selection of new Board Director</li> <li>Annual review of the Board composition, term limits and Independence of the individual Directors.</li> <li>Annual review of the Board skills matrix (expertise and composition),</li> <li>Annual review of Board succession planning and Board diversity for Board Non-Executive Directors.</li> <li>Facilitated Board evaluation</li> <li>Oversaw shortlisting of the trainers and Board training.</li> <li>Reviewed feedback from the Employee Satisfaction Survey</li> </ul>
Legal Risk Committee	<ul style="list-style-type: none"> <li>Mr. Andrew Ndegwa (Chairperson)</li> <li>Mr. Stephen Waruhiu</li> </ul>	<ul style="list-style-type: none"> <li>to understand the nature of any legal claim or process with Management and appraise the Board on the same</li> <li>to review any material breaches of policy which may expose the Group to a legal risk and advise on adequacy of the proposed remedial action</li> <li>to be an integral part of the Group's Operational-level Grievance Mechanisms and act as a link between the OGM panel and the Board</li> <li>to understand advise the Board on any future legal risk mitigation strategy</li> <li>to review the Group legal audit and advise the Board on the findings, non-compliances and required action plan to remedy such non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>Oversaw the Group's dispute resolution mechanisms and any resulting claims and legal proceedings and apprised the Board on the progress.</li> <li>Ensured implementation of the Operational-Level Grievance Mechanism (OGM) as approved by the Board.</li> <li>Deliberated on the legal audit and shortlisting of the independent legal advisor to perform the audit.</li> </ul>



### Independent Human Rights Advisory Committee

An Independent Human Rights Advisory Committee has been established. The Committee is governed and guided on their duties and responsibilities set out in its own Terms of Reference. The following are the detailed Committee functions and key deliberations for the year ending 31 December 2023:

Committee	Members	Major Functions	Key deliberations during FY2023
Independent Human Rights Advisory Committee	<ul style="list-style-type: none"> <li>• Professor Githu Muigai (Chairperson)</li> <li>• Grace Madoka</li> <li>• Dr Brenda Achieng</li> <li>• Andrew Ndegwa</li> <li>• Gina Din Kariuki</li> </ul>	<ul style="list-style-type: none"> <li>• identifying Human Rights risks to which the Group is exposed and recommend to the Board measures to mitigate these risks, set goals and evaluate results</li> <li>• reviewing Human rights matters raised with the Group to be handled in accordance with the Group Human Rights policies</li> <li>• advise the Board on best practices</li> <li>• has access to Lady Justice – Violet Mavisi (Rtd) an Independent Senior Lawyer in her role as the Independent head of SIKIKA.</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitation of the Operational-level Grievance Mechanism and review of the Independent Monitor for SIKIKA Mechanism</li> </ul>

### Management Committees

In addition to the Board Committees, the Group has in place several established Management Committees to support its decision-making structures, increase efficiency and allow detailed deliberation on specific areas. The Management Committees deal with particular sets of ongoing issues and work across the Group to promote best practice and information sharing. Each Committee has terms of references that sets out its mandate. The Executive Directors can delegate their responsibilities to these Committees and utilize the areas of expertise contained within them. These Committees report to the Managing Director. In 2023, the Management Committees supporting the Group's activities included:

- Tender Committee
- Trainings Committee
- Health and safety Committee
- Company Community Partnership Committee
- Community Relations Committee
- Energy Management Committee
- Recruitment Committee
- Grievance Committee

### Director Access to Management and Independent Advisors

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

The Group has employed the expertise of external independent consultants, amongst others, covering Public relations, setting up of the Operational-level Grievance Mechanism (SIKIKA) and conducting employee satisfaction surveys.

### 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.

### **Directors' external activities and Conflicts of Interest (continued)**

The Board is working on operationalizing the conflict-of-interest procedures in place into a formal policy.

### **Board Policies and Processes**

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

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

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

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

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

The Code has been integrated into the Company's operations through the development of various policies and reporting mechanisms. Before on-boarding the suppliers, the Company requires the suppliers to confirm compliance with Company policy on Anti-Slavery and Human Trafficking, Code of Ethics for doing business in Kenya (KEPSA and KAM) Ethical Purchasing Policy (Supplier Code).

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

The staff are provided with the code of conduct and ethics upon appointment and must commit to abide by its requirements as part of the employment contract with the Company. Several initiatives are in place to ensure its application. Every year the Managing Director conducts a staff training called "Kakuzi who we are", highlighting the values and the mission. Every six months the Anti -Bribery (TABO) report, which also covers gifts/entertainment, is presented to the Board. No unethical issues were reported during the course of the year under review.

**Environmental, Social and Governance (ESG) Report** ESG considerations have been incorporated into decision-making processes at Kakuzi as we have noted growing interest in our approach to environmental, social and governance (ESG) issues, and in particular our performance on carbon emissions. The Company launched its fourth ESG report at the Nairobi Securities Exchange in December 2023. This report covers the key commitments the Company is making to UN SDGs, the UN Guiding Principles on Business and Human Rights and highlights the work being undertaken in key Corporate Social Investment areas. <https://www.kakuzi.co.ke/pages/f2cd2b36-26b1-455c-812f-16ae9c139afa/articles/f2cd2b36-26b1-455c-812f-16ae9c139afa.pdf>

The Board is in the process of reviewing in detail the Group's climate related risks and opportunities and the related financial impact on the group. In line with the recommendations of the Task force on climate-related financial disclosures, the Group will be publishing these financial disclosures in its 2023 ESG report.

## Board Policies and Processes (continued)

<b>Insider Trading</b>	<p>The Board has in place an insider trading policy which was reviewed and approved by the Board in 2023. The company insider trading policy, 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 "non-public" unless it has been publicly disclosed, and adequate time has passed for the securities markets to digest the information. The staff are required to adhere to the Group's Insider trading policy, which is on the Group's website <a href="https://www.kakuzi.co.ke/insider-trading-policy">https://www.kakuzi.co.ke/insider-trading-policy</a></p> <p>In every meeting held in 2023, a list of top 10 shareholders was provided as well as any trades (all buyers and sellers) and transfer transactions. If and when there are any breaches of our insider trading policy the Board notifies the Capital Markets Authority. To the best of the Company's knowledge, there was no insider dealing in the financial year under review.</p>
<b>Related Party Transactions</b>	<p>The Group recognizes that related party transactions arise where there is a relationship by virtue of shareholding, common shareholding or key Management personnel directorship. The Group Related Party Transactions policy, which is on the Group's website, <a href="https://www.kakuzi.co.ke/related-party-transactions-policy">https://www.kakuzi.co.ke/related-party-transactions-policy</a>, gives guidance on related party transactions, which are carried out using the arm's length principle. All transactions with related parties are disclosed in note 27 to the financial statements.</p>
<b>Whistle blowing policy</b>	<p>The Whistleblowing Policy, which is on the Group's website, (<a href="https://www.kakuzi.co.ke/whistle-blowing-policy">https://www.kakuzi.co.ke/whistle-blowing-policy</a>) sets out the Board of Directors', Managements' and staff members' commitment to upholding the highest levels of integrity and observance of the rule of law. The policy applies to all employees of the Group, general public, service providers, customers, Company agents, contractors and any other individuals performing functions in relation to the Group. The Group website provides an email contact (<a href="mailto:confidential@kakuzi.co.ke">confidential@kakuzi.co.ke</a>) to report any fraud, misconduct or wrongdoing by employees, Company Agents or Executives of the Group. All cases are investigated in a confidential and timely manner, and the required action taken to ensure feedback is provided as appropriate.</p>
<b>Operational-Level Grievance Mechanism (SIKIKA)</b>	<p>The Operational-level Grievance Mechanism (OGM) provides a systematic and transparent process for receiving, investigating, and addressing company-related grievances from affected communities, workers, farmers who supply avocados through Kakuzi's economic empowerment program, and other relevant stakeholders.</p> <p>The overall objective of the OGM is to enhance Kakuzi's existing processes to respect human rights, to provide access to remedy through a transparent process of fact finding and respectful dialogue aimed at mutually agreed outcomes, and to strengthen Kakuzi's relationships with all its stakeholders. OGM has been given a local name, SIKIKA, which means "be heard". Extensive stakeholder engagement has been undertaken in developing the Company's OGM as described on the web site. (Operational Grievance Mechanism (SIKIKA).</p> <p>The SIKIKA process is annually evaluated by an independent monitor to ensure its fairness, transparency, effectiveness and efficiency and recommendations are reported to the Board (status report of Independent human right.pdf (<a href="https://www.kakuzi.co.ke">kakuzi.co.ke</a>)).</p>
<b>Procurement policy</b>	<p>The Group's Procurement Policy which is on the website (<a href="https://www.kakuzi.co.ke/procurement-policy">https://www.kakuzi.co.ke/procurement-policy</a>) is to ensure fairness and transparency in the process of procurement and awarding of tenders, as far as possible with the ultimate objectives of procuring the required quantity/quality of goods or service at the most competitive price. The policy gives guidance on the principles and tender procedures. In addition, a Management Tender Committee oversees the award of tenders in line with its terms of reference.</p> <p>Every half year as part of the Territorial Anti-bribery Officer Africa Operations a report is tabled to the Board on the procurement process, stating whether the Company followed the processes and adhered to the system of internal controls around supplier selection by reviewing a gift register.</p>

## **Board Policies and Processes (continued)**

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

A data protection policy was approved by the Board during the year and has been implemented across the organization.

### **Corporate Social Investment (CSI)**

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

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

The Group has established a Community Relations Management Committee and a Company Community Partnership Management Committee to facilitate and promote CSI mandates in accordance with the Company strategy, as well as to provide and define goals and metrics for measuring the implementation of corporate citizenship.

The Community Stakeholder plan enables the specific departments to assess the necessity of CSI initiatives and appropriately allocate resources which enhances the company Community Partnership program.

The CSI Committee reports to the Board on a quarterly basis detailing the projects and initiatives taken each quarter. A highlight of these is contained in the Corporate Social Investment and Sustainability report on pages 52 to 64, within the Group's ESG report and on the Group's web site.

### **Operational policies**

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

### **Group principal policies (GPPs)**

The Holding Company requires each subsidiary to comply with the guiding Group Principal Policies and confirm this to it's Board on an annual basis. The Group has in place policies as required by the Holding Company as follows which are also on the website:

- Occupational Safety & Health Policy
- Whistleblowing Policy
- Anti-Slavery and Human Trafficking Policy
- Environment Policy
- Safety and Health Employee Handbook
- Human Rights Policy
- Anti-Bribery Policy

## Board Evaluation

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

The Nomination and Remuneration Committee is responsible for determining the process for evaluating Board performance. The Board has taken a progressive step of rolling out Board evaluation, in line with the provisions of the Code. In 2023, the Board engaged an external consultant to conduct the evaluation.

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

The evaluation identified strengths, weaknesses, opportunities and challenges that will make the Board more effective. The Board evaluation methodology processes included administering quantitative forms, internal documentation review and structured one on one sessions.

The key points of focus in corporate governance included:

- Strong commitment to corporate governance and decision-making process.
- Structure and functioning of the Board – composition, skills, diversity, meeting practices, Committees, engagement with management
- Appropriate internal control environment and processes e.g. audit, risk management, oversight etc.
- Ethical standards and corporate culture; integrity, transparency and accountability.
- Compliance, legal framework, and corporate social responsibility.
- Protection of minority shareholders/other stakeholder rights

The following strengths/ achievements were highlighted from the assessment:

- ESG Reporting; The Company issued a sustainability report that has helped re-position it among its peers and in the market.
- Recruitment of an Independent Board member: This helped to improve gender balance and diversity in the Board room.
- Diversification of products and creation of a new brand value; production of edible oils.
- Company Strategy; There is consensus at the Board level that the Board is satisfied with the strategy being currently implemented.
- The Board has clarity on the key areas of priority.
- The Committees have performed exceptionally and continue to do the “heavy lifting” for the Board.
- The Board is happy with the very robust risk framework that has been put in place by Management.

The following developmental areas, challenges and risks were noted following the Board Evaluation exercise:

- The Board is working to ensure an effective succession planning framework is implemented, as well as address the matter of the Board members tenures in order to ensure a smooth transition in leadership and sustain the organization performance and long-term success.
- The role of the external Company secretary versus the role of the internal Company secretary is under review.
- There is need to grow the footprint into other diverse markets given the decline in performance of certain products.
- Continuous engagement with the Kakuzi Community to manage the historical land issues.
- The Board to ensure there is continuous and effective communication with the key stakeholders.

There is room for Board to ensure that key members of Management are brought into meetings so that they can participate and add value to their deliberations and work on behalf of the Board.

## **Board Induction and Continuous Professional Development**

The Chairperson is responsible for ensuring that new Directors participate in a full, formal, and tailored induction programme facilitated by the Managing Director. Newly appointed Directors are provided with orientation upon his/her appointment. In addition, as part of their induction, new Directors also meet Senior Management of the Company and undertake visits to the Company's operations.

In 2023, Ms. Pamela Ager, a newly appointed Director was inducted into the company including a visit to various production systems and operations sites on the farm.

The Nomination and Remuneration Committee is responsible for the continuing professional development programs for Directors to develop and maintain the skills and knowledge needed to perform their role effectively. Directors are continually updated on the Group's businesses, the markets in which the Group operates and changes to the competitive and regulatory environments. The Directors visited the Group's operational facilities in Makuyu twice during the year in order to meet with the Management and gain better understanding of the business operations.

The Board also approved the training of Directors for 2023 which were conducted by external consultants. The trainings took 12 hours and covered the following topics:

- General Legal Updates, Data Protection and International Corporate Governance Trends
- Evolution of ESG, Connecting ESG to Sustainability, Kakuzi's ESG Journey: 2019 to 2022, Tax and ESG considerations, Recent regulatory changes impacting ESG and ESG Reporting and ESG Global implications
- Tax Updates, Introduction to AfCFTA and International Tax
- Corporate Governance, Board's role in cybersecurity governance, Cyber Security, Fraud management, Anti Bribery legislative update

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

## **Board Remuneration**

The Board has put in place a formal Remuneration Policy sets guidelines and criteria for the Board's compensation, attraction and retention of Directors. All aspects of remuneration, including but not limited to Directors' fees, salaries, benefits-in-kind and short-term and long-term incentives, options, share-based incentives and awards are overseen by the Nomination and Remuneration Committee.

Directors' fees are reviewed annually and submitted to shareholders for approval at each Annual General Meeting.

The Directors' remuneration policy and report, including details of their compensation appears on page 38.

## **Multiple Directorship**

The Board recognizes that it is important for Directors to have a diverse range of experience and the benefit that external appointments in other companies can provide for both the individual Director and to the Board as a whole. In light of this, Directors may be permitted to take up external appointments and directorships in other companies upon having requested and received prior written approval from the Board.

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

## **Governance Audit**

The Board is committed to ensuring that the company has sound corporate governance practices and strives for continuous improvement in its governance structures and processes. The CMA Code provides that issuers of securities to the public are required to undertake periodic governance audits. Following extensive stakeholder consultation to consider the frequency, cycle, cost and scope of governance audits, the Capital Markets Authority (CMA) advised all issuers of a revision in the cycle of governance audits to at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach. In line with the CMA Code, a governance audit was conducted on the Company for the year ending 31 December 2023 and the Company was issued an unqualified report noting that the Board has put in place a governance framework that is to a large extent in compliance with the Corporate Governance framework.

## **Legal and Compliance Audit**

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

In accordance with the Code, the company undertook an internal Legal and Compliance Audit for the Financial year ended 31<sup>st</sup> December 2022. The Code requires that a comprehensive independent legal audit is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya. The Board approved in 2023 the appointment of Anjarwalla & Khanna LLP, an independent legal firm to conduct a legal and compliance audit. The audit is ongoing.

To ensure full transparency and traceability of products produced in the operations, the Group has certifications and accreditations that assist in ensuring that it meets the necessary standards and regulations. The accreditations which are on the website, include the following self-assessment, and certification programs:

- a) Global certifications;
  - FSSC 2200
  - Rainforest Alliance
  - SMETA (Sedex Members Ethical Trade Audit)
  - Diamond Mark of Quality
  - Global G.A.P. add-ons
  - Halal certification
  - SPRING
  - Kosher
  
- b) Self-assessments;
  - NEMA- environmental self-assessment
  - Occupational, Fire safety audit
  - Occupational and health and safety audit
  - Occupational safety and health risk assessment

## **Shareholders Relations**

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 Company is available on the Group's website, (Company Reports - Kakuzi).

### **Shareholders Relations (continued)**

The Group's Annual General Meeting (AGM) is an opportunity for shareholder engagement when the Chairman and the Managing Director explain the Company's full year performance and receive questions from shareholders. The Chairpersons of the Audit and Risk Committee, the Legal Risk Committee and the Nominations and Remuneration Committees are normally available at the AGM to take any relevant questions. All other Directors also attend.

The Company has engaged the services of a registrar, Custody & Registrar Services (Kenya) Limited, who together with the Finance Director, regularly address issues raised by the shareholders. Shareholders' enquiries, either received by telephone or by email, are properly attended by the registrar. Through the registrar, the shareholders have a secure central custody and simplified, swift and safe method of transfer and registration of ownership of their shares. Frequently asked questions on share ownership and CDS accounts are answered on the CDSC Website.

### **Stakeholder Engagement**

Understanding the perspectives of our stakeholders, building and maintaining strong ties with them enables their views and concerns to be taken into account in Board and Committee discussions and decision-making. In keeping with our sustainability strategy, which addresses stakeholder concerns as advised by the Global Reporting Initiative (GRI), our Board members continue to actively engage with shareholders and wider stakeholders and address their concerns. Additionally, the Board continues to seek to identify and facilitate mechanisms for more effective and meaningful dialogue with our stakeholders. The Group is committed to equitable treatment of its shareholders, including the non-controlling and foreign shareholders.

A Stakeholder engagement matrix is in place and it identifies all the key stakeholders, our engagement with them, modes of the engagements, the issues most material to them and how we have responded ([kakuzi plc 2022 esg report.pdf](#)).

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

The Annual Employee Satisfaction and Engagement Survey Report 2023 has been published on the Company website ([Company Reports - Kakuzi](#)). The Nomination and Remuneration reviewed the report and appraised the Board on the findings and actions to address the concerns raised.

The company continually engaged with stakeholders through community partnerships, trade shows, forums and expositions during the period under review.

### **Stakeholder relations**

The Board recognizes that the Group is accountable to various stakeholders including farmers and suppliers, employees, investors, general public, media, regulators/authorities and the communities in which we operate. In order to promote effective relationships with its stakeholders, the Group has set and expects the highest standards of conduct within its operations, based on our established core values. The Group is committed to building mutually beneficial relationships with all its stakeholders and to ensuring that a balance is maintained between the individual interests of stakeholders and those of the Group. In particular, the Group:

- promotes fair, just and equitable employment policies;
- promotes and is sensitive to the preservation and protection of the natural environment;
- is sensitive to and conscious of gender interests and concerns;
- promotes and protects the rights of children and other vulnerable groups;
- enhances and promotes the rights and participation of host communities; and
- supports staff and customer sensitization.

The Group encourages feedback from all stakeholders via various channels including but not limited to general meetings, surveys, whistleblowing and feedback forms. This feedback in turn informs the Board on the issues that stakeholders are most concerned with, and these are considered when formulating the Group's strategy.



### **Annual General Meetings (AGM)**

The Board is committed to the constructive use of the AGM as a forum to meet with Shareholders and to hear their views and answer their questions about the Group and its business. In 2023, we provided our Shareholders a valuable opportunity to meet with all Directors and Company Secretary to answer any questions.

Shareholders were provided with various alternatives to participate in the AGM and were given the right to ask questions and participate in AGM and to vote for the resolutions and all resolutions were passed on a poll.

During the last AGM held on 16 May 2023, the shareholders approved the financial statements for 2022, Dividend, Directors' Remuneration Report, re-election of Directors, re-election of the members of the Audit and Risk Committee and re-appointment of Messrs. Deloitte & Touche LLP as Auditors.

### **Directors' Responsibilities for Financial Reporting and Disclosures**

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

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

A statement of the Directors' responsibilities in respect of the Annual Report and Financial Statements is set out on page 14 of the Annual Report. A statement on going concern is also given within the statement of corporate governance on page 34 of the Annual Report.

### **Internal Controls, and Risk Management Systems**

The Directors acknowledge that they are responsible for maintaining a sound system of internal control. The Board has delegated to the Audit and Risk Committee the responsibility for reviewing the effectiveness of the internal controls and the risk management. During the year, the Audit and Risk Committee, on behalf of the Board, reviewed the effectiveness of the framework of the Group's system of internal control. It does so through reports received from the internal audit function and any reports from the external auditors on internal control matters noted as part of their audit work.

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

The Group has an Internal Audit Department, which is an independent function that reports directly to the Audit and 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. The Board has reviewed the Group's internal control policies and procedures and is satisfied that appropriate controls and procedures are in place. The Board has identified all key risks, which are monitored regularly.

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.

## **Internal Audit**

The Group has an Internal Audit Department, which is an independent function that reports directly to the Audit and Risk Committee and provides independent confirmation on compliance with the Group's business standards, policies and procedures. The independent Internal Audit Function is headed by the Head of Internal Audit, a member of the Institute of Internal Auditors (IIA) and carries out its functions in accordance with the International Standards for the professional practice of internal auditing and reports and provides independent assurance to the Audit and Risk Committee on a quarterly basis. The internal audit charter which is approved by the Board, outlines the authority and scope of the internal audit function and provides standards, guidelines and procedures for the Internal Audit Department.

The Department has adopted a risk-based approach in its auditing activities, thus providing a systematic method for identifying, prioritizing and scheduling audits while at the same time providing a means by which audit resources can be targeted in areas of high risk.

An annual audit plan is developed using a structured risk and control assessment framework through which the inherent risk and control effectiveness is assessed. The assessment also covers emerging risks arising from within and without the organisation. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas. The Head of Internal Audit submits the annual internal audit plan to the Board Audit and Risk Committee for review and approval.

## **External Auditor**

To assess the effectiveness of the external audit process, the external auditor is required to report to the Audit and Risk Committee and confirm their independence in accordance with ethical standards and that they have 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 2022 Audit findings report and the second one to present their audit service plan for the year ended 31 December 2023.

## **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.

## **Shareholding Profiles**

The Company, through its Registrar, files returns regularly in line with the requirement of the Capital Markets Authority and the Nairobi Securities Exchange under the listing regulations on transactions related to shareholders.

The number of shareholders as at 31st December 2023 was 1,395 (2022– 1,362).

## Shareholding Profiles (continued)

### Principal Shareholders

The top 10 major shareholders, based on the Group's share register as at 31st December 2023 were as follows:-

	Shareholder name	Number of ordinary shares	%
1.	John Kibunga Kimani	6,525,223	33.29%
2.	Bordure Limited*	5,107,920	26.06%
3.	Lintak Investments Limited*	4,828,714	24.64%
4.	Kakuzi Neighbourhoods Development Foundation	466,598	2.38%
5.	G.H. Kluge & Sons Limited	239,118	1.22%
6.	HSBC Global Custody Nominee (UK) Limited	200,000	1.02%
7.	Joe B.Wanjui	122,004	0.62%
8.	John Okuna Ogango	115,400	0.59%
9.	Lise Larsen & Esther Ebba Aasberg Larsen	48,999	0.25%
10	Kusumben Ambubhai Amin	47,559	0.24%
.		17,701,535	90.31%

\* 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

Ordinary shares range	Number of shareholders	Number of ordinary shares	%
Less than 500	885	133,967	0.68%
501 to 5,000	419	760,764	3.88%
5,001 to 10,000	45	343,448	1.75%
10,001 to 100,000	38	756,843	3.86%
100,001 to 1,000,000	5	1,143,120	5.84%
Over 1,000,000	3	16,461,857	83.99%
	1,395	19,599,999	100.00%

### Shareholder Profile

Category	Number of Shareholders	Number of Shares	%
Local Individual Investors	1,154	8,096,194	41.31%
Local Institutional Investors	97	5,541,023	28.27%
Foreign Individual Investors	124	359,689	1.83%
Foreign Institutional Investors	20	5,603,093	28.59%
Total	1,395	19,599,999	100.00%

The following Directors had direct or indirect beneficial equity interests in the ordinary shares of the Group as at 31st December 2023.

	At 31 December 2023		At 31 December 2022	
	Beneficial Ordinary shares	Non-beneficial Ordinary shares	Beneficial Ordinary shares	Non-beneficial Ordinary shares
Mr. Nicholas Ng'ang'a	1000	-	1000	-
Mr. Christopher Flowers	-	-	-	-
Mr. Graham Mclean	100	-	100	-
Mr. Ketan Shah	200	-	200	-
Mr. Daniel M Ndonye	-	-	-	-
Mr. Stephen Waruhiu	-	-	-	-
Mr. Andrew Ndegwa Njoroge	-	-	-	-
Dr John Kibunga Kimani	6,525,223	-	6,520,433	-
Mrs. Pamela Ager	-	-	-	-

**BY ORDER OF THE BOARD**

\_\_\_\_\_  
**K R SHAH**

19 March 2024

\_\_\_\_\_  
**C J FLOWERS**

19 March 2024

## **REPORT OF THE GOVERNANCE AUDITORS TO THE BOARD OF DIRECTORS OF KAKUZI PLC**

### **INTRODUCTION**

We have carried out a Governance Audit of the Kakuzi PLC covering the year ended 31 December 2023 through which we reviewed the Governance Practices, Structures and Systems put in place by the Board of Directors.

### **BOARD RESPONSIBILITY**

The Board of Directors is responsible for putting in place governance structures and systems that support the practice of good governance in the Group. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of the Group. The Board of Directors is responsible for ensuring its proper constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; sustainability; and performance management.

### **GOVERNANCE AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the Group within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper constitution and composition of the Board of Directors; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; sustainability; and performance management, based on our audits.

We conducted our audit in accordance with the ICS Governance Audit Standards and Guidelines which conform to global standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organisations' policies, systems, practices and processes. We believe that our governance audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion, the Board of Directors of Kakuzi PLC has put in place effective, appropriate and adequate governance structures within the Group which are in compliance with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders.

The Governance Auditor engaged in this assignment is Lucy Njoroge, GA/00174

**Lucy Njoroge**  
**Nairobi, Kenya**

**19 March 2024**

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 24.

### Policy on Directors Remuneration

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

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

### Service Contracts

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

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

### Directors' Remuneration

The following section has been audited:

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

	2023 Shs'000	2022 Shs'000
Managing Director (Mr C J Flowers)	14,662	12,317
Finance Director (Mr K R Shah)	19,107	16,856
	<u>33,769</u>	<u>29,173</u>

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

	2023 Directors' Fees Shs'000	2022 Directors' Fees Shs'000	2023 Benefits in kind Shs'000	2022 Benefits in kind Shs'000	2023 Total Shs'000	2022 Total Shs'000
<b>Non-Executive</b>						
Mr N Ng'ang'a	5,480	5,480	113	104	5,593	5,584
Mr G H Mclean	2,920	2,920	-	-	2,920	2,920
Mr D M Ndonye	3,160	3,160	113	104	3,273	3,264
Mr S N Waruhiu	4,600	4,045	113	104	4,713	4,149
Mr A N Njoroge	5,400	4,935	113	104	5,513	5,039
Mr J K Kimani	2,920	2,920	113	105	3,033	3,025
Mrs P Ager	2,610	-	39	-	2,649	-
	<u>27,090</u>	<u>23,460</u>	<u>604</u>	<u>521</u>	<u>27,694</u>	<u>23,981</u>

### BY ORDER OF THE BOARD

**K R SHAH**

19 March 2024

**C J FLOWERS**

19 March 2024

## 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 43 to 101, which comprise the consolidated and separate statements of financial position at 31 December 2023 and the consolidated and separate statement 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 material 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 2023 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, 2015.

#### Basis for Opinion

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

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with other ethical requirements that are relevant to our audit of the financial statements in Kenya, and 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 therefore we do not provide a separate opinion on the matter.



Partners: D.M. Mbogho; A.N. Muraya; F. O. Aloo; J. Nyang'aya; B.W. Irungu; I. Karim; F. Okwiri; F.O Omondi; F. Mitambo; P. Seroney; D. Waweru; C.Luo.

Deloitte & Touche, a partnership with registration No. 177912, converted to Deloitte & Touche LLP Registration No. LLP-A21DDP effective 14 June 2021

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

**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 a material impact on the financial position and financial performance of the Group and the Company.</p> <p>At the end of year, the carrying value of the biological assets amounted to Sh 1,735,710,000 (2021: Sh 1,471,390,000) as disclosed in Note 6 to 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. These assets are measured at fair value less costs to sell at the end of each reporting period. The changes in fair value arise as biological transformation of the assets take place rather than at the time of harvest.</p> <p>The Group carried out the valuation of biological assets using fair valuation methodology discussed in Note 6 and employed the services of external valuers (management experts) in the valuation of forestry and livestock.</p> <p>As disclosed in Note 3 (a) and Note 6 to the consolidated and separate Financial Statements, the key assumptions and estimates used in the valuation include expected yield, future market prices, exchange rate, costs to sell and the age and condition of the assets. The determination of these assumptions and estimates require careful judgment by the Directors and any changes could lead to material adjustments to the consolidated and separate Financial Statements. We therefore identified the measurement of biological assets as a key audit matter.</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>Our audit procedures to address the key audit matter included the following:</p> <p>We assessed the competence and independence of the management experts and discussed the scope of their work.</p> <p>We engaged our internal valuation specialists to assist with assessing the appropriateness of the methodology and significant judgements and assumptions used by Management and its experts.</p> <p>We obtained the valuation reports and discussed the details with Management and the management experts. The discussions involved the valuation process, valuation models, significant assumptions and judgements applied during the valuation.</p> <p>We performed an analysis of the significant assumptions made in the valuation models and assessed them for reasonableness. Our procedures included comparison with market information, sensitivity analysis and retrospective review of the key assumptions and judgements.</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 evaluated the sufficiency and accuracy of the disclosures in the notes to the consolidated and separate Financial Statements for compliance with International Accounting Standard (IAS 40) and IFRS 13.</p> <p>We concluded that the assumptions and judgements used in the valuation were reasonable to support the amounts presented in the consolidated and separate Financial Statements. We also found the models used for the valuation of the biological assets to be appropriate. In addition, the disclosures in the consolidated and separate Financial Statements pertaining to the valuation and measurement of biological assets were found to be appropriate in compliance with IAS 40 and IFRS 13.</p>



**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**

The Directors are responsible for the other information which comprises the Company Information, Notice of the Annual General Meeting, Chairman's Statement, Corporate Social Investment and Sustainability Report, 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. 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.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

**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's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or company to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the consolidated and separate Financial Statements, including the disclosures and whether the consolidated and separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

*Report of the Directors*

In our opinion, the information given in the Report of the Directors on pages 12 to 13 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 38 has been prepared in accordance with the Kenyan Companies Act, 2015.

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

**For and on behalf of Deloitte & Touche LLP  
Certified Public Accountants (Kenya)**

**19 March 2024**

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

	Notes	Year ended 31 December	
		2023 Shs'000	2022 Shs'000
Sales	5	5,401,468	4,434,211
Gains arising from changes in fair value less costs to sell of non-current biological assets	6(i)	126,808	113,559
		<u>5,528,276</u>	<u>4,547,770</u>
Cost of sales		(3,555,368)	(2,417,379)
		<u>1,972,908</u>	<u>2,130,391</u>
<b>Gross profit</b>			
Other income	7	134,310	126,931
Selling and distribution costs		(1,497,963)	(1,114,195)
		<u>609,255</u>	<u>1,143,127</u>
<b>Operating profit</b>			
Interest income	8	54,760	78,530
Finance costs	8	(33)	(33)
		<u>663,982</u>	<u>1,221,624</u>
<b>Profit before income tax</b>	5		
Income tax expense	11(a)	(210,465)	(375,820)
		<u>453,517</u>	<u>845,804</u>
<b>Profit for the year</b>			
<b>Other comprehensive income/(loss)</b>			
<i>Items that are not reclassified subsequently to profit or loss:</i>			
Remeasurement of post-employment benefit obligations			
Actuarial gain/(loss) (Note 16)		3,020	(7,395)
Deferred tax (charge)/credit to other comprehensive income (Note 15)		(906)	2,219
		<u>2,114</u>	<u>(5,176)</u>
		<u>455,631</u>	<u>840,628</u>
<b>Total comprehensive income for the year</b>			
<b>Earnings per share (Shs):</b>			
Basic and diluted earnings per ordinary share	12	23.14	43.15

The notes on pages 49 to 101 are an integral part of these consolidated and separate financial statements.

## Consolidated statement of financial position

	Notes	31 December 2023 Shs'000	31 December 2022 Shs'000
<b>EQUITY</b>			
Share capital	13	98,000	98,000
Other reserves		34,929	32,815
Retained earnings		5,330,753	5,347,636
Proposed dividend	12(ii)	470,400	470,400
<b>Total equity</b>		<b>5,934,082</b>	<b>5,948,851</b>
<b>Non current liabilities</b>			
Deferred income tax	15	1,189,385	1,097,473
Post employment benefit obligations	16	109,502	89,538
Lease obligations	17	326	326
		1,299,213	1,187,337
<b>Total equity and non current liabilities</b>		<b>7,233,295</b>	<b>7,136,188</b>
<b>Non current assets</b>			
Property, plant and equipment	18	3,064,961	3,085,814
Biological assets	6(i)	935,224	857,287
Right of use assets	19	4,187	4,236
Financial assets held at amortised cost	21	-	100,000
Non current receivables	23	50,763	42,332
		4,055,135	4,089,669
<b>Current assets</b>			
Biological assets – growing agricultural produce	6(ii)	800,486	614,103
Inventories	22	551,635	870,230
Receivables and prepayments	23	628,305	498,689
Current tax recoverable	11(d)	72,420	-
Financial assets held at amortised cost	21	100,000	-
Cash and cash equivalents	25	1,408,131	1,408,744
		3,560,977	3,391,766
<b>Current liabilities</b>			
Payables and accrued expenses	24	329,612	228,839
Current tax payable	11(d)	-	68,684
Lease obligations	17	201	168
Post employment benefit obligations	16	53,004	47,556
		382,817	345,247
<b>Net current assets</b>		<b>3,178,160</b>	<b>3,046,519</b>
		<b>7,233,295</b>	<b>7,136,188</b>

The notes on pages 49 to 101 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 43 to 101 were approved for issue by the Board of Directors on 19 March 2024 and signed on its behalf by:

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

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

## Separate statement of financial position

	Notes	31 December 2023 Shs'000	31 December 2022 Shs'000
<b>EQUITY</b>			
Share capital	13	98,000	98,000
Other reserves		34,929	32,815
Retained earnings		5,326,612	5,343,495
Proposed dividend	12(ii)	470,400	470,400
<b>Total equity</b>		<b>5,929,941</b>	<b>5,944,710</b>
<b>Non current liabilities</b>			
Deferred income tax	15	1,189,385	1,097,473
Post employment benefit obligations	16	109,502	89,538
Lease obligations	17	326	326
		1,299,213	1,187,337
<b>Total equity and non current liabilities</b>		<b>7,229,154</b>	<b>7,132,047</b>
<b>Non current assets</b>			
Property, plant and equipment	18	3,064,961	3,085,814
Biological assets	6(i)	935,224	857,287
Right of use assets	19	4,187	4,236
Investment in subsidiaries	20	4,295	4,295
Financial assets held at amortised cost	21	-	100,000
Non current receivables	23	50,763	42,332
		4,059,430	4,093,964
<b>Current assets</b>			
Biological assets – growing agricultural produce	6(ii)	800,486	614,103
Inventories	22	551,635	870,230
Receivables and prepayments	23	628,305	498,689
Current tax recoverable	11(d)	72,367	-
Financial assets held at amortised cost	21	100,000	-
Cash and cash equivalents	25	1,408,131	1,408,744
		3,560,924	3,391,766
<b>Current liabilities</b>			
Payables and accrued expenses	24	337,995	237,222
Current tax payable	11(d)	-	68,737
Lease obligations	17	201	168
Post employment benefit obligations	16	53,004	47,556
		391,200	353,683
<b>Net current assets</b>		<b>3,169,724</b>	<b>3,038,083</b>
		<b>7,229,154</b>	<b>7,132,047</b>

The notes on pages 49 to 101 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 43 to 101 were approved for issue by the Board of Directors on 19 March 2024 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 2023</b>					
At start of year	98,000	32,815	5,347,636	470,400	5,948,851
<i>Total comprehensive income for the year:</i>					
Profit for the year	-	-	453,517	-	453,517
Other comprehensive income	-	2,114	-	-	2,114
<i>Total</i>	-	2,114	453,517	-	455,631
<i>Transactions with owners:</i>					
Dividends:					
- Final paid for 2022	-	-	-	(470,400)	(470,400)
- Proposed for 2023	-	-	(470,400)	470,400	-
<i>Total</i>	-	-	(470,400)	-	(470,400)
At end of year	98,000	34,929	5,330,753	470,400	5,934,082
<b>Year ended 31 December 2022</b>					
At start of year	98,000	37,991	4,972,232	431,200	5,539,423
<i>Total comprehensive income for the year:</i>					
Profit for the year	-	-	845,804	-	845,804
Other comprehensive loss	-	(5,176)	-	-	(5,176)
<i>Total</i>	-	(5,176)	845,804	-	840,628
<i>Transactions with owners:</i>					
Dividends:					
- Final paid for 2021	-	-	-	(431,200)	(431,200)
- Proposed for 2022	-	-	(470,400)	470,400	-
<i>Total</i>	-	-	(470,400)	39,200	(431,200)
At end of year	98,000	32,815	5,347,636	470,400	5,948,851

The notes on pages 49 to 101 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 2023</b>					
At start of year	98,000	32,815	5,343,495	470,400	5,944,710
<i>Total comprehensive income for the year:</i>					
Profit for the year	-	-	453,517	-	453,517
Other comprehensive income	-	2,114	-	-	2,114
<i>Total</i>	-	2,114	453,517	-	455,631
<i>Transactions with owners:</i>					
Dividends:					
- Final paid for 2022	-	-	-	(470,400)	(470,400)
- Proposed for 2023	-	-	(470,400)	470,400	-
<i>Total</i>	-	-	(470,400)	-	(470,400)
At end of year	98,000	34,929	5,326,612	470,400	5,929,941
	<b>Share capital Shs'000</b>	<b>Other reserves Shs'000</b>	<b>Retained earnings Shs'000</b>	<b>Proposed dividend Shs'000</b>	<b>Total equity Shs'000</b>
<b>Year ended 31 December 2022</b>					
At start of year	98,000	37,991	4,968,091	431,200	5,535,282
<i>Total comprehensive income for the year:</i>					
Profit for the year	-	-	845,804	-	845,804
Other comprehensive loss	-	(5,176)	-	-	(5,176)
<i>Total</i>	-	(5,176)	845,804	-	840,628
<i>Transactions with owners:</i>					
Dividends:					
- Final paid for 2021	-	-	-	(431,200)	(431,200)
- Proposed for 2022	-	-	(470,400)	470,400	-
<i>Total</i>	-	-	(470,400)	39,200	(431,200)
At end of year	98,000	32,815	5,343,495	470,400	5,944,710

The notes on pages 49 to 101 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	
		2023	2022
		Shs'000	Shs'000
<b>Operating activities</b>			
Profit before income tax	26	663,982	1,221,624
Adjustment for non-cash items	26	(118,640)	(196,023)
Changes in working capital	26	309,753	(511,042)
Cash generated from operations	26	855,095	514,559
Interest received	8	54,760	78,530
Income tax paid	11(d)	(260,563)	(210,663)
Net cash generated from operating activities		649,292	382,426
<b>Investing activities</b>			
Purchase of property, plant and equipment	18	(270,983)	(363,051)
Purchase and development of biological assets	6(i)	(25,747)	(20,687)
Proceeds from disposal of property, plant and equipment		2,568	2,726
Proceeds from maturing financial assets held at amortised cost	21	-	100,000
Net cash used in investing activities		(294,162)	(281,012)
<b>Financing activities</b>			
Dividend paid		(470,400)	(431,200)
Lease payments	17	-	(1)
Net cash used in financing activities		(470,400)	(431,201)
<b>Net decrease in cash and cash equivalents</b>		<b>(115,270)</b>	<b>(329,787)</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		1,408,744	1,656,219
Net decrease in cash and cash equivalents		(115,270)	(329,787)
Effect of exchange rate differences on cash and cash equivalents	7	114,657	82,312
At end of year	25	1,408,131	1,408,744

The notes on pages 49 to 101 are an integral part of these consolidated and separate financial statements.



## Notes to the Consolidated and Separate Financial Statements

### 1 General information

Kakuzi Plc is incorporated in Kenya under the Kenyan Companies Act, 2015 as a public limited liability company, and is domiciled in Kenya. The address of its registered office is:

Main Office  
Punda Milia Road, Makuyu  
P O Box 24  
01000 THIKA  
Kenya

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

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

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

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

### 2 Accounting policies

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

#### (a) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The consolidated and separate financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of the consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated and separate financial statements, are disclosed in Note 3.

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

##### (i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2023*

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

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

##### (i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2023 (continued)*

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

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

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

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

#### **Amendments to IAS 8 - Definition of Accounting Estimates**

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

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

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

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

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

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

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

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

##### (i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2023 (continued)*

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

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

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

##### **Amendments to IAS 12 Income Taxes— International Tax Reform — Pillar Two Model Rules**

An entity shall disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes. In periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, an entity shall disclose, for the current period only:

- (a) information about such legislation enacted or substantively enacted in jurisdictions in which the entity operates.
- (b) the jurisdictions in which the entity's average effective tax rate for the current period is below 15%. The entity shall also disclose the tax expense (income) and accounting profit for these jurisdictions in aggregate, as well as the resulting weighted average effective tax rate.
- (c) whether assessments the entity has made in preparing to comply with Pillar Two legislation indicate that there are jurisdictions:
  - (i) identified in applying paragraph 88C(b) but in relation to which the entity might not be exposed to paying Pillar Two income taxes; or
  - (ii) not identified in applying paragraph 88C(b) but in relation to which the entity might be exposed to paying Pillar Two income taxes.

International Tax Reform—Pillar Two Model Rules, issued in 2023, added paragraphs 4A and 88A–88C. An entity shall apply:

- (a) paragraphs 4A and 88A immediately upon issue of these amendments and retrospectively in accordance with IAS 8; and
- (b) paragraphs 88B–88C for annual reporting periods beginning on or after 1 January 2023.

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

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

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.

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IFRS 10 and IAS 28 – Sale contribution of assets between Investor and its Associate or Joint Venture	Yet to be set, with earlier application permitted
Amendment to IFRS 16 - Lease Liability in a Sale and Leaseback	Annual periods beginning on or after 1 January 2024 with earlier application permitted
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	Annual periods beginning on or after 1 January 2024 with earlier adoption permitted
Amendments to IAS 1 - Non-current Liabilities with Covenants	Annual periods beginning on or after 1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	Annual periods beginning on or after 1 January 2024
IFRS S2 - Climate-related Disclosures	Annual periods beginning on or after 1 January 2024
Amendments to IAS 1 - Classification of liabilities as current or non-current	Annual periods beginning on or after 1 January 2024
Amendments to IAS 21 - Lack of exchangeability	Annual periods beginning on or after 1 January 2025

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

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

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

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

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

#### **Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements**

##### **Amendments to IAS 7**

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and the entity's exposure to liquidity risk.

Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid.

These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements.

Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used to settle directly with a supplier the amounts owed (for example, credit cards) are not supplier finance arrangements.

To meet the disclosure objective set out above, an entity is required to disclose in aggregate for its supplier finance arrangements:

- a) The terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided). However, an entity is required to disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.
- b) As at the beginning and end of the reporting period:
  - (i) The carrying amounts, and associated line items presented in the entity's statement of financial position, of the financial liabilities that are part of a supplier finance arrangement.
  - (ii) The carrying amounts, and associated line items, of the financial liabilities disclosed under for which suppliers have already received payment from the finance providers.
  - (iii) The range of payment due dates (for example, 30-40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed under (i). If ranges of payment due dates are wide, an entity is required to disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).
- c) The type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b)(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalent.

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

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

###### **Amendments to IFRS 7**

The amendments include as an additional factor whether the entity has accessed, or has access to, supplier finance arrangements that provide the entity with extended payment terms or the entity's suppliers with early payment terms. The amendments add that concentrations of liquidity risk and market risk may arise from supplier finance arrangements resulting in the entity concentrating with finance providers a portion of its financial liabilities originally owed to suppliers.

###### **Amendments to IAS 1 - Non-current Liabilities with Covenants**

The IASB amends IAS 1 to specify that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or non-current.

An entity is required to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments are applied retrospectively (applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) and are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

###### **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. The standard refers to these risks and opportunities as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

An entity whose sustainability-related financial disclosures comply with all the requirements of IFRS Sustainability Disclosure Standards is required to make an explicit and unreserved statement of compliance. An entity is not permitted to describe sustainability-related financial disclosures as complying with IFRS Sustainability Disclosure Standards unless they comply with all the requirements of IFRS Sustainability Disclosure Standards; that is:

- (i) Conceptual foundation – the usefulness of related financial information is enhanced if the information is comparable, verifiable, timely and understandable.
- (ii) Fair presentation - requires disclosure of relevant information about sustainability related risks and opportunities that could reasonably be expected to affect the entity's prospects, and their faithful representation in accordance with the principles set out in IFRS S1. To achieve this an entity is required to provide a complete, neutral, and accurate depiction of those sustainability-related risks and opportunities.

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

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

#### **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (continued)**

(iii) Materiality - information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.

(iv) Reporting entity and connected information - an entity is required to provide information in a manner that enables users of general purpose financial reports to understand:

- The connections between the items to which the information relates - such as connections between various sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects; and
- The connections between disclosures provided by the entity-Within its sustainability related financial disclosures such as connections between disclosures on governance, strategy, risk management, and metrics and targets or: across its sustainability-related financial disclosures and other general purpose financial reports published by the entity such as its related financial statements.

An entity is required to identify the financial statements to which the sustainability-related financial disclosures relate.

(v) Core content - an entity is required to make disclosures about:

- Governance - the governance processes, controls and procedures the entity uses to monitor and manage sustainability-related risks and opportunities.
- Strategy - the approach the entity uses to manage sustainability-related risks and opportunities, including:
  - Business model and value chain.
  - Strategy and decision making.
  - Financial position, financial performance and cash flows.
  - Resilience of the entity's strategy and its business model.
- Risk management - the processes the entity uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities.
- Metrics and targets - the entity's performance in relation to sustainability-related risks and opportunities, including progress towards any targets the entity has set, or is required to meet by law or regulation.

#### **IFRS S2 - Climate-related Disclosures**

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

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

###### **Amendments to IAS 1 - Classification of liabilities as current or non-current**

The amendment was to clarify the classification criteria for liabilities as current or non-current. The most significant changes are listed below.

- (i) A clarification has been added to both IAS 1:69 and 73 to emphasise that for a liability to be classified as non-current, the entity's right to defer settlement must exist 'at the end of the reporting period'. This was previously illustrated in the examples but not explicitly stated.
- (ii) The IASB specifies that for a liability to be non-current an assessment is required of whether an entity has the right to defer settlement of a liability and not whether the entity will exercise that right. The reference to an entity's expectations in IAS 1:73 has been deleted and a new paragraph has been added to state explicitly that classification is unaffected by Management intentions or expectations.
- (iii) The word 'unconditional' has been removed from IAS 1:69 and a new paragraph has been added to clarify that if the right to defer settlement is conditional on the compliance with covenants the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.
- (iv) A definition of the word 'settlement' has been added that states "For the purpose of classifying a liability as current or noncurrent, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability." This transfer could be of cash, goods and services or the entity's own equity instruments.
- (v) The IASB also clarifies the scope of when counterparty conversion options affect classification as current or non-current. Applying the amendment, if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

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

The Group did not early-adopt any new or amended standards in the year ended 31 December 2023.

The Directors do not expect that the adoption of the new and amended standards will have any significant impact on the Group's financial statements.



## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

#### (c) Consolidation of subsidiaries

##### Basis of consolidation

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

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

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

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

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

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

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

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

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

#### (d) Segment reporting

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

#### (e) Revenue recognition

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

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 to the Consolidated and Separate Financial Statements (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 statement of comprehensive income within 'interest income or finance costs'.

#### (g) Property, plant and equipment

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

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except to scrap sales.

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

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

#### (g) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement within 'cost of production' during the financial period in which they are incurred.

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

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

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

Capital work in progress is not depreciated

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

#### (h) Biological assets

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

Biological assets are measured on initial recognition at cost and subsequently at fair value less costs to sell at each reporting date. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised in the profit or loss in the year in which they arise.

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

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

The tea bushes, avocado and macadamia trees, and blueberries crops are bearer plants and are therefore presented and accounted for as property, plant and equipment (see note 2(g)). However, the produce growing on these trees is accounted for as biological assets until the point of harvest. Harvested produce is transferred to inventory at fair value less costs to sell.

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

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

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

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

#### (i) Leases

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

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

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

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.

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

#### (i) Leases (continued)

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

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

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

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

#### The Group as lessor

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

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

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

#### (j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Agricultural produce at the point of harvest is measured at fair value less costs to sell. Any changes arising on initial recognition of agricultural produce at fair value less costs to sell are recognised in the statement of comprehensive income in the year in which they arise.

The cost of other inventory is determined by the weighted average method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

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

#### (k) Payables

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

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

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

#### (l) Share capital

Ordinary shares are classified as equity.

#### (m) Cash and cash equivalents

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

#### (n) Financial instruments

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

#### Treasury bonds

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

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

#### Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are 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 and trade receivables. 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 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

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

#### (i) Significant increase in credit risk

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

#### (ii) Definition of default

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

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

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

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

#### (iii) Measurement and recognition of expected credit losses

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

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

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

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

- (i) Interest income is recognised on a time proportion basis using the effective interest method.
- (ii) Dividends are recognised as income in the period in which the right to receive payment is established.

## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

#### (o) Employee benefits

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

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

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

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

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

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

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

##### (ii) Other entitlements

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

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

The tax expense for the year 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.

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



## Notes to the Consolidated and Separate Financial Statements (continued)

### 2 Accounting policies (continued)

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

##### (i) Current income tax

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (q) Dividends

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

### 3 Critical accounting estimates, judgements and assumptions

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

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

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

##### (i) Useful life of bearer plants

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

##### (ii) Fair values of biological assets

Critical assumptions are made by the Directors and the independent valuers 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

For Makuyu operations, critical assumptions are made by the actuary in determining the present value of the service gratuities to non-management employees. For Nandi operations, there were no separate plan assets, unrecognised actuarial gains/(losses) or unrecognised past service costs. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note 16.

##### (v) Climate change

Climate change is especially pertinent to the Group as its primary activity is agriculture. The Group is experiencing the physical and transitional impacts of climate change, to varying degrees, and is aware that without intervention, this will only increase. As science progresses, our understanding of the impact of climate change will evolve and influence how the Group mitigates and adapts to these risks. The company continues in its efforts to work collaboratively and dynamically. In determining the assumptions and inputs into the valuation of biological assets, the group considers any impact of climate on the variables.

#### (b) Key sources of estimation uncertainty

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

##### (i) Income taxes

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

#### (b) Key sources of estimation uncertainty (continued)

##### (ii) Property, plant and equipment

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

##### (iii) Leases

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

### 4 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, prices for its agricultural produce, foreign currency exchange rates and interest rates.

The Group's overall risk management programme focuses on the unpredictability of financial and agricultural markets and seeks to minimise potential adverse effects on its financial performance, but the Group does not hedge any risks.

Financial risk management is carried out by the Management under policies approved by the Board of Directors. These policies provide principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk.

The Group monitors closely the returns it achieves from its crops and considers replacing its biological assets when yields decline with age or markets change. Further financial risk arises from changes in market prices of key cost components. Such costs are closely monitored.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group and Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

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

At 31 December 2023, if the Shilling was weaker/stronger by 5% (2022: 5%) against the US dollar with all other variables held constant, the Group and Company post tax profit would have been Shs 36,529,000 (2022: Shs 22,268,000) higher/lower mainly as a result of US dollar deposits and trade receivables.

At 31 December 2023 if the Shilling was weaker/stronger by 5% (2022: 5%) against the Euro with all other variables held constant, the Group and Company post tax profit would have been Shs 12,467,000 higher/lower (2022: Shs 1,742,000).

At 31 December 2023 if the Shilling was weaker/stronger by 5% (2022: 5%) against the Sterling Pound with all other variables held constant, the Group and Company post tax profit would have been Shs 678,000 higher/lower (2022: Shs 16,000).

## Notes to the Consolidated and Separate Financial Statements (continued)

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

#### (a) Market risk (continued)

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

At 31 December 2023 if the Shilling was weaker/stronger by 5% (2022: 5%) against the Australian Dollar with all other variables held constant, the Group and Company post tax profit would have been Shs 107,000 lower/ higher (2022: Shs 88,000).

At 31 December 2023 if the Shilling was weaker/stronger by 5% (2022: 5%) against the South African Rand with all other variables held constant, the Group and Company post tax profit would have been Shs 1,000 lower/ higher (2022: Shs 56,000).

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

	USD	EUR	STG	AUD	ZAR	
Closing rate as at 31 Dec 2023 (to Kenya Shillings)	157.00	173.43	200.14	107.13	8.59	
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Total in Shs'000</b>
Cash and bank balances	934,669	385,252	1,583	-	-	1,321,504
Trade and other receivables	163,470	-	17,775	-	35	181,280
<b>Total financial assets</b>	<b>1,098,139</b>	<b>385,252</b>	<b>19,358</b>	<b>-</b>	<b>35</b>	<b>1,502,784</b>
Trade and other payables	54,442	29,063	-	3,046	-	86,551
<b>Total financial liabilities</b>	<b>54,442</b>	<b>29,063</b>	<b>-</b>	<b>3,046</b>	<b>-</b>	<b>86,551</b>
	<b>USD</b>	<b>EUR</b>	<b>STG</b>	<b>AUD</b>	<b>ZAR</b>	
Closing rate as at 31 Dec 2022 (to Kenya Shillings)	123.40	131.70	148.44	82.86	7.22	
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Total in Shs'000</b>
Cash and bank balances	518,059	14,068	2,337	-	-	534,464
Trade and other receivables	126,115	57,670	-	-	-	183,785
<b>Total financial assets</b>	<b>644,174</b>	<b>71,738</b>	<b>2,337</b>	<b>-</b>	<b>-</b>	<b>718,249</b>
Trade and other payables	7,939	21,956	1,892	2,518	1,610	35,915
<b>Total financial liabilities</b>	<b>7,939</b>	<b>21,956</b>	<b>1,892</b>	<b>2,518</b>	<b>1,610</b>	<b>35,915</b>

##### (ii) Interest rate risk

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

#### (a) Market risk (continued)

##### (iii) Commodity price risk

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

If the commodity prices had been 5% higher/(lower) as of December 2023, profit after tax would have been Shs 190,860,000 (2022: Shs 156,428,000) higher/(lower).

#### (b) Credit risk

Credit risk arises from deposits with banks, financial assets held at amortised cost as well as trade and other receivables.

The Group does not have any significant concentrations of credit risk. The Group and Company has policies in place to ensure that sales are made to customers with an appropriate credit history.

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December 2023 is the carrying value of the financial assets in the statement of financial position.

The Group holds collateral in form of vehicles log books registered in the name of staff and Group amounting to Shs 44,946,000 (2022: Shs 42,703,000) in respect of staff loans amounting to Shs 46,295,000 (2022: Shs 44,852,000) included in other receivables. The Group and Company does not grade the credit quality of receivables. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

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

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

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

#### (b) Credit risk (continued)

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

31/12/2023	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net carrying amount Shs'000
Trade receivables	23	N/A	Performing	Lifetime ECL (simplified approach)	159,273	(5,928)	153,345
Related companies	23	N/A	Performing	Lifetime ECL (simplified approach)	232,256	-	232,256
Staff debtors	23	N/A	Performing	Lifetime ECL (simplified approach)	46,295	-	46,295
Cash at bank		B	Performing	12-month ECL	1,408,005	-	1,408,005
Financial assets held at amortized cost	21	B2	N/A	12-month ECL	100,000	-	100,000
					<u>1,945,829</u>	<u>(5,928)</u>	<u>1,939,901</u>
31/12/2022	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net carrying amount Shs'000
Trade receivables	23	N/A	Performing	Lifetime ECL (simplified approach)	89,177	(5,928)	83,249
Related companies	23	N/A	Performing	Lifetime ECL (simplified approach)	164,841	-	164,841
Staff debtors	23	N/A	Performing	Lifetime ECL (simplified approach)	44,852	-	44,852
Cash at bank		B	Performing	12-month ECL	1,408,644	-	1,408,644
Financial assets held at amortized cost	21	B2	N/A	12-month ECL	100,000	-	100,000
					<u>1,807,514</u>	<u>(5,928)</u>	<u>1,801,586</u>

#### (c) Liquidity risk

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

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

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

#### (c) Liquidity risk (continued)

The table below analyses the Group's and Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

#### Group

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
<b>At 31 December 2023:</b>				
- Trade and other payables	329,612	-	-	-
- Post employment benefits	37,470	-	-	-
- Lease liability	201	21	19	286
	<u>367,283</u>	<u>21</u>	<u>19</u>	<u>286</u>
<b>At 31 December 2022:</b>				
- Trade and other payables	228,839	-	-	-
- Lease liability	168	23	21	282
	<u>229,007</u>	<u>23</u>	<u>21</u>	<u>282</u>

#### Company

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
<b>At 31 December 2023:</b>				
- Trade and other payables	337,995	-	-	-
- Post employment benefits	37,470	-	-	-
- Lease liability	201	21	19	286
	<u>375,666</u>	<u>21</u>	<u>19</u>	<u>286</u>
<b>At 31 December 2022:</b>				
- Trade and other payables	237,222	-	-	-
- Lease liability	168	23	21	282
	<u>237,390</u>	<u>23</u>	<u>21</u>	<u>282</u>

#### (d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may limit the amount of dividends paid to shareholders.

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

#### Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

## Notes to the Consolidated and Separate Financial Statements (continued)

### 5 Segmental reporting - Group

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

The Group operates in two geographical areas in Kenya, Makuyu and Nandi Hills, and under several operating segments. The principal operating segments currently consist of Avocados and Macadamia whose reported sales are greater than 10% of combined sales of all operating segments and Tea whose assets are more than 10% of combined assets of all operating segments. The business activities of forestry, livestock, joint projects and blueberries are included under one segment 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 Group's revenue.

In monitoring the performance of each segment, the Executive Directors who are the operating decision makers of the segments focus on revenue and profit/(loss) which informs their decision making.

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 2023 and 31 December 2022 is as follows:

	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Tea		Avocados		Macadamia		Forestry, Livestock, Arable & Blueberries		Consolidated	
	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	408,763	295,665	3,935,401	2,792,431	621,606	868,724	435,698	477,391	5,401,468	4,434,211
<b>Total sales</b>	<u>408,763</u>	<u>295,665</u>	<u>3,935,401</u>	<u>2,792,431</u>	<u>621,606</u>	<u>868,724</u>	<u>435,698</u>	<u>477,391</u>	<u>5,401,468</u>	<u>4,434,211</u>
<b>Comprising</b>										
Major external customers sales	408,763	295,665	3,780,172	2,609,737	580,314	825,440	1,105	16,554	4,770,354	3,747,396
All other external customers sales	-	-	155,229	182,694	41,292	43,284	434,593	460,837	631,114	686,815
	<u>408,763</u>	<u>295,665</u>	<u>3,935,401</u>	<u>2,792,431</u>	<u>621,606</u>	<u>868,724</u>	<u>435,698</u>	<u>477,391</u>	<u>5,401,468</u>	<u>4,434,211</u>
<b>Geographical analysis</b>										
UK & Continental Europe	-	-	3,738,771	2,568,879	-	-	-	-	3,738,771	2,568,879
Kenya	408,763	295,665	155,229	182,694	41,292	43,284	434,593	460,837	1,039,877	982,480
Others	-	-	41,401	40,858	580,314	825,440	1,105	16,554	622,820	882,852
	<u>408,763</u>	<u>295,665</u>	<u>3,935,401</u>	<u>2,792,431</u>	<u>621,606</u>	<u>868,724</u>	<u>435,698</u>	<u>477,391</u>	<u>5,401,468</u>	<u>4,434,211</u>



## Notes to the Consolidated and Separate Financial Statements (continued)

### 5 Segmental reporting - Group (continued)

	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Tea		Avocados		Macadamia		Forestry, Livestock, Arable & Blueberries		Unallocated		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	78,957	42,704	2,938,458	1,992,057	(205,451)	786,600	15,510	84,617	-	-	2,827,474	2,905,978
Depreciation charge	(14,807)	(14,150)	(122,284)	(111,936)	(93,979)	(91,417)	(25,678)	(28,474)	(19,143)	(21,008)	(275,891)	(266,985)
Changes in fair value of non-current biological assets	-	-	-	-	-	-	126,808	113,559	-	-	126,808	113,559
gross profit/(loss) before unallocated admin expenditure	64,150	28,554	2,816,174	1,880,121	(299,430)	695,183	116,640	169,702	(19,143)	(21,008)	2,678,391	2,752,552
Selling and distribution costs	-	-	(1,442,915)	(1,046,808)	(54,585)	(60,258)	(463)	(7,129)	-	-	(1,497,963)	(1,114,195)
Segment profit/(loss)	64,150	28,554	1,373,259	833,313	(354,015)	634,925	116,177	162,573	(19,143)	(21,008)	1,180,428	1,638,357
Other income	6,975	-	-	-	-	-	-	-	127,335	126,931	134,310	126,931
Interest income	-	-	-	-	-	-	-	-	54,760	78,530	54,760	78,530
Finance costs	-	-	-	-	-	-	-	-	(33)	(33)	(33)	(33)
Unallocated admin expenditure	-	-	-	-	-	-	-	-	(705,483)	(622,161)	(705,483)	(622,161)
Profit/(loss) before income tax	71,125	28,554	1,373,259	833,313	(354,015)	634,925	116,177	162,573	(542,564)	(437,741)	663,982	1,221,624
Income tax (expense)/credit	(22,544)	(11,204)	(435,283)	(256,360)	112,212	(195,328)	(36,824)	(50,014)	171,974	137,086	(210,465)	(375,820)
Profit/(loss) for the year	48,581	17,350	937,976	576,953	(241,803)	439,597	79,353	112,559	(370,590)	(300,655)	453,517	845,804
<b>Intersegmental sales</b>	-	-	-	-	-	-	22,876	19,782	-	-	22,876	19,782
<b>Assets (all located in Kenya)</b>												
Segment assets	632,639	1,049,459	1,847,023	1,689,590	1,984,360	2,102,010	868,410	1,380,246	600,611	-	5,933,043	6,221,305
Unallocated assets	-	-	-	-	-	-	-	-	-	-	1,676,490	1,260,130
											7,616,112	7,481,435
<b>Liabilities</b>												
Segment liabilities	65,135	43,220	-	-	-	-	-	-	-	-	65,135	43,220
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	1,314,749	1,489,364
											1,682,030	1,532,584
<b>Additions</b>												
Property, plant and equipment	1,144	1,940	145,991	193,296	61,847	94,966	33,229	36,181	28,772	36,668	270,983	363,051
Biological assets	-	-	-	-	-	-	21,384	16,246	4,363	4,441	25,747	20,687
	1,144	1,940	145,991	193,296	61,847	94,966	54,613	52,427	33,135	41,109	296,730	383,738

## Notes to the Consolidated and Separate Financial Statements (continued)

### 5 Segmental reporting - Group (continued)

#### \*Avocados

#### Smallholder and Outgrowers Hass Avocados

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

	<b>2023</b>		<b>2022</b>
Number of cartons exported	139,200		173,064
Number of cartons sold	139,200		173,064
	<b>2023</b>		<b>2022</b>
	<b>Shs'000</b>		<b>Shs'000</b>
Gross export sales	140,172		117,301
Selling and distribution costs	(61,740)		(60,664)
Net export sales	78,432		56,637
Local sales	11,916		18,188
Packing expenses	(18,623)		(21,559)
Net return	71,725		53,266
<b>Paid to smallholders and outgrowers</b>	<b>(58,359)</b>	<b>(81%)</b>	<b>(48,461)</b>
Trading profit	13,366		4,805
Extension services expenses	(2,502)		(2,263)
Profit before income tax	10,864		2,542

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

The profit before income tax on the trading with smallholders and outgrowers has been arrived at by deducting packaging expenses, payments to farmers for the purchase of the fruit, and extension services expenses from the net income earned from the export and local sales of this fruit.

During the year ended 31 December 2023, Shs 58,359,000 (2022: Shs 48,461,000) was paid out to smallholders and outgrowers from a net return of Shs 71,725,000 (2022: Shs 53,266,000), representing a 81% (2022: 91%) payout.

## Notes to the Consolidated and Separate Financial Statements (continued)

### 6 Biological assets – Group and Company

#### (i) Non current assets

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

	Livestock Shs'000	Forestry plantation Shs'000	Total Shs'000
<b>Year ended 31 December 2023</b>			
At start of year	164,887	692,400	857,287
Increase due to purchases and development	3,013	22,734	25,747
Gains arising from changes in fair value less costs to sell due to physical change and price changes	49,714	77,094	126,808
Decrease due to harvest and sales	<u>(49,190)</u>	<u>(25,428)</u>	<u>(74,618)</u>
At end of year	<u>168,424</u>	<u>766,800</u>	<u>935,224</u>
<b>Year ended 31 December 2022</b>			
At start of year	156,684	637,000	793,684
Increase due to purchases and development	452	20,235	20,687
Gains arising from changes in fair value less costs to sell due to physical change and price changes	52,014	61,545	113,559
Decrease due to harvest and sales	<u>(44,263)</u>	<u>(26,380)</u>	<u>(70,643)</u>
At end of year	<u>164,887</u>	<u>692,400</u>	<u>857,287</u>

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

The value of bluegum and pine trees as at 31 December 2023 is Shs 711,200,000 and Shs 55,600,000 respectively (2022: Shs 644,400,000 and Shs 48,000,000) respectively.

There are no biological assets whose title is restricted or pledged as security for liabilities as at 31 December 2023 (2022: Nil).

There were no contracted commitments for development or acquisition of biological assets as at 31 December 2023 (2022: Nil).

#### (ii) Current assets

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

	2023 Shs'000	2022 Shs'000
Avocado – Hass	304,369	164,614
Avocado – Pinkerton	<u>244,432</u>	<u>183,869</u>
Total Avocado	548,801	348,483
Macadamia	246,697	262,503
Tea	<u>4,988</u>	<u>3,117</u>
At end of year	<u>800,486</u>	<u>614,103</u>

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

Plantations comprise forestry. The fair value of forestry is determined by external independent valuers based on recent market prices, yield, hectarage, voids and maturity of the tree.

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

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

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

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

	Valuation technique	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
<b>Year ended 31 December 2023</b>					
Livestock	Market approach	-	168,424	-	168,424
Forestry	Market approach	-	766,800	-	766,800
Avocado	Market approach	-	-	548,801	548,801
Tea	Market approach	-	4,988	-	4,988
Macadamia	Market approach	-	-	246,697	246,697
		-	940,212	795,498	1,735,710
<b>Year ended 31 December 2022</b>					
Livestock	Market approach	-	164,887	-	164,887
Forestry	Market approach	-	692,400	-	692,400
Avocado	Market approach	-	-	348,483	348,483
Tea	Market approach	-	3,117	-	3,117
Macadamia	Market approach	-	-	262,503	262,503
		-	860,404	610,986	1,471,390

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

#### Year ended 31 December 2023

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	304,369	Market approach	Yield - Kgs per Hectare	18,880 – 19,880	The higher the yield, the higher the value
			Net price per carton	€4.66 - €4.91	The higher the market price, the higher the fair value
			Stage of growth	12% - 15%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs173.43	The higher the exchange rate, the higher the fair value

#### Year ended 31 December 2022

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

#### Year ended 31 December 2023

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	244,432	Market approach	Yield - Kgs per Hectare	17,510 – 18,430	The higher the yield, the higher the value
			Net price per carton	€3.99 - €4.20	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	KShs173.43	The higher the exchange rate, the higher the fair value

#### Year ended 31 December 2022

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

#### Year ended 31 December 2023

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	246,697	Market approach	Yield - Kgs per Hectare Net price per kg of Saleable Kernel Stage of growth - Early season crop Stage of growth - Late season crop Exchange rate	770 – 810 USD 7.85 – USD 8.25 53% - 56% 0% KShs157.00	The higher the yield, the higher the value The higher the market price, the higher the fair value The higher the stage of growth, the higher the fair value The higher the stage of growth, the higher the fair value The higher the exchange rate, the higher the fair value

#### Year ended 31 December 2022

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

	Group & Company				
	Avocado Shs'000	Macadamia Shs'000	Tea Shs'000	Blueberries Shs'000	Total Shs'000
<b>Year ended 31 December 2023</b>					
At start of year	348,483	262,503	3,117	-	614,103
Increase due to purchases and development	706,719	416,563	167,750	32,105	1,323,137
Decrease due to harvest and sales	(706,719)	(416,563)	(167,750)	(32,105)	(1,323,137)
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	<u>200,318</u>	<u>(15,806)</u>	<u>1,871</u>	<u>-</u>	<u>186,383</u>
At end of year	<u>548,801</u>	<u>246,697</u>	<u>4,988</u>	<u>-</u>	<u>800,486</u>
<b>Year ended 31 December 2022</b>					
At start of year	226,082	127,280	1,401	-	354,763
Increase due to purchases and development	545,566	362,579	147,517	30,465	1,086,127
Decrease due to harvest and sales	(545,566)	(362,579)	(147,517)	(30,465)	(1,086,127)
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	<u>122,401</u>	<u>135,223</u>	<u>1,716</u>	<u>-</u>	<u>259,340</u>
At end of year	<u>348,483</u>	<u>262,503</u>	<u>3,117</u>	<u>-</u>	<u>614,103</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 as part of cost of sales.



## Notes to the Consolidated and Separate Financial Statements (continued)

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

	2023 Hectares	2022 Hectares		2023 Head	2022 Head
Areas planted at the year end:					
Forestry plantations	1,856	1,838			
Livestock (cattle and goats) numbers at the year end				4,506	4,246
	2023 Hectares	2022 Hectares	2023 Metric tonnes	2022 Metric tonnes	
Areas planted with various crops and output of agricultural produce during the year:					
Tea (green leaf)	510	510	8,012	6,432	
Avocado	1,056	996	14,153	14,232	
Blueberries	10	7	12	28	
Macadamia	1,242	1,129	2,007	2,438	
			Cubic metres	Cubic metres	
Timber harvested during the year was:			26,734	55,797	

#### Sensitivity Analysis

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

Non-current: - Forestry – a 5% increase or decrease in the market price for trees or yield (cubic meter per hectare) assumed would result in a Shs 38,340,000 (2022: Shs 34,620,000) increase or decrease in the fair value of forestry.

Non-current: - Livestock – a 5% increase or decrease in the market price or number of livestock assumed would result in a Shs 8,421,000 (2022: Shs 8,244,000) increase or decrease in the fair value of livestock.

Current: – Macadamia - a 5% increase or decrease in the yield (kilograms per hectare) or the price assumed would result in a Shs 21,578,000 (2022: Shs 14,011,000) or Shs 12,958,000 (2022: Shs 26,430,000) increase or decrease in the fair value of macadamia growing crop respectively.

Hass Avocados - a 5% increase or decrease in the yield (kilograms per hectare) or the price assumed would result in a Shs 17,637,000 (2022: Shs 10,549,000) or Shs 17,490,000 (2022: Shs 10,553,000) increase or decrease respectively in the fair value of growing crop.

Pinkerton Avocados - a 5% increase or decrease in the yield (kilograms per hectare) or the price assumed would result in a Shs 14,476,000 (2022: Shs 12,054,000) or Shs 14,357,000 (2022: Shs 12,061,000) increase or decrease respectively in the fair value of growing crop.

#### Agricultural Risks

Agricultural activity is often exposed to climatic, disease and other natural risks. During the year no event occurred that gave rise to a material item of income or expense (2022 – Nil). The Group has mitigated the risk of droughts by having dams that are used for irrigation during the dry season. In addition, new forestry plants are planted with significant spacing to allow for the plantation to hold on water for longer periods.

## Notes to the Consolidated and Separate Financial Statements (continued)

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

	2023 Shs'000	2022 Shs'000
Fair value of the agricultural produce harvested during the year after deducting costs to sell:		
Tea (green leaf)	408,763	295,665
Avocado	2,401,472	1,670,668
Blueberries	8,814	18,186
Macadamia	567,021	808,466
Livestock	91,798	81,384
Forestry	317,431	345,525
	3,795,299	3,219,894

### 7 Other income – Group and Company

	2023 Shs'000	2022 Shs'000
Net foreign exchange gains other than cash and cash equivalents	3,577	11,336
Net exchange gains on foreign currency cash and cash equivalents	114,657	82,312
Net loss on disposal of property, plant and equipment	(13,377)	(7)
Rental income	5,683	5,176
Sundry	23,770	28,114
	134,310	126,931

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

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

	2023 Shs'000	2022 Shs'000
<b>Interest income</b>		
Interest income on short term bank deposits	42,260	53,530
Interest income on infrastructure bonds	12,500	25,000
	54,760	78,530
<b>Finance costs</b>		
Interest on lease liabilities (Note 17)	(33)	(33)
	(33)	(33)
Net interest income and finance costs	54,727	78,497

## Notes to the Consolidated and Separate Financial Statements (continued)

### 9 Expenses by nature – Group and Company

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

	<b>2023</b>	<b>2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Cost of inventories sold	2,824,432	1,760,964
Employee benefits expense (Note 10)	1,179,554	992,059
Depreciation on property, plant and equipment (Note 18)	275,891	266,985
Repairs and maintenance expenditure on property, plant and equipment	249,217	208,722
Non-Executive Directors' remuneration (Note 27(iv))	27,696	23,981
Key Management compensation (Note 27(iii))	125,270	115,581
Auditor's remuneration	7,874	7,224
Depreciation of right of use assets (Note 19)	49	50
Expected credit loss allowance (Note 23)	-	604
Loss on disposal of property plant and equipment (Note 7)	13,377	7
Gains arising from changes in fair value less costs to sell of non-current biological assets (Note 6 (i))	(126,808)	(113,559)
Gains arising from changes in fair value less costs to sell of current biological assets (Note 6 (ii))	(186,383)	(259,340)
	<u><u>1,179,554</u></u>	<u><u>992,059</u></u>

### 10 Employee benefits expense – Group and Company

The following items are included within employee benefits expense:

	<b>2023</b>	<b>2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Salaries, wages, leave pay and medical	1,096,650	954,819
Post employment benefits costs:		
- Post employment benefit obligations (Note 16)	34,007	22,159
- Defined contribution pension scheme	8,554	6,951
- National Social Security Fund	40,343	8,130
	<u>1,179,554</u>	<u>992,059</u>

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

	<b>2023</b>	<b>2022</b>
Management	79	76
Permanent unionisable employees	724	731
Other unionisable employees	2,723	2,626
	<u>3,526</u>	<u>3,433</u>

## Notes to the Consolidated and Separate Financial Statements (continued)

### 11 Income tax – Group and Company

#### (a) Taxation charge

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
<i>Current tax</i>		
Current tax on profit for the year	119,459	269,446
<i>Deferred income tax</i>		
Deferred income tax charge for the year	91,006	105,945
Prior year under provision	-	429
Total deferred income tax charge (Note 15)	91,006	106,374
Income tax expense	210,465	375,820

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

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

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
Profit before income tax	663,982	1,221,624
Tax calculated at the statutory income tax rate of 30% (2022: 30%)	199,195	366,487
Tax effect of:		
Income not subject to income tax	(3,826)	(7,500)
Expenses not deductible for income tax purposes	15,096	16,404
Under provision of deferred tax in prior years	-	429
Taxation charge	210,465	375,820

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

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
<b>Remeasurement of post-employment benefit obligations:</b>		
Actuarial gain/(loss) (Note 16)	3,020	(7,395)
(Charge)/credit to other comprehensive income (Note 15)	(906)	2,219
Net credit/(charge) to other comprehensive income	2,114	(5,176)

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
At start of year	68,684	9,901	68,737	9,954
Taxation charge (Note 11 (a))	119,459	269,446	119,459	269,446
Paid during the year	(260,563)	(210,663)	(260,563)	(210,663)
At end of year	(72,420)	68,684	(72,367)	68,737

### 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 2023 and 31 December 2022 as follows:-

	2023	2022
Profit attributable to equity holders of the Group (Shs '000)	453,517	845,804
Number of ordinary shares in issue (thousands)	19,600	19,600
Basic and diluted earnings per ordinary share (Shs)	23.14	43.15

The Group had no potentially dilutive ordinary shares outstanding at 31 December 2023 and 31 December 2022.

#### ii) Dividends per ordinary share

At the annual general meeting to be held on 14 May 2024, the Directors will recommend the payment of a first and final dividend of 480% (2022: 480%) of par value equivalent to Shs 24.00 per ordinary share (Shs 470,400,000 in respect of the year ended 31 December 2023 (2022: Shs 24.00 per ordinary share) (Shs 470,400,000)).

### 13 Share capital

	Number of ordinary shares (Thousands)	Ordinary share capital Shs '000
<b>Authorised</b>		
At 1 January 2022, 31 December 2022 and 31 December 2023	20,000	100,000
<b>Issued</b>		
At 1 January 2022, 31 December 2022 and 31 December 2023	19,600	98,000

The par value of the shares is Shs 5.

## Notes to the Consolidated and Separate Financial Statements (continued)

<b>14 Borrowing facilities – Group and Company</b>	<b>2023</b> <b>Shs'000</b>	<b>2022</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 2023.

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% (2022: 30%). The net deferred taxation liability is attributable to the following items:

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
Property, plant and equipment	751,394	745,284
Biological assets	470,186	391,951
Unrealised exchange gains	32,195	26,772
Gratuity provision	(48,752)	(41,128)
Other temporary differences*	(15,638)	(25,406)
Net deferred income tax liability	1,189,385	1,097,473

\*Other temporary differences include provision for bad and doubtful debts, provision for leave, accrued leave, legal & professional fees - general provision, Vehicle Loan Scheme (VLS) Provision, earth moving equipment provision, RoU asset and lease liability. These are considered immaterial both individually and in aggregate.

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

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
At start of year	1,097,473	993,318
Charge to profit or loss (Note 11(a))	91,006	106,374
Charge/(credit) to other comprehensive income (Note 11(c))	906	(2,219)
At end of year	1,189,385	1,097,473

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

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
Deferred income tax assets	(72,413)	(67,805)
Deferred income tax liabilities	1,261,798	1,165,278
	1,189,385	1,097,473

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
Present value of post employment benefit obligations	162,506	137,094
Split as follows:		
Non-current portion	109,502	89,538
Current portion	53,004	47,556

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

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
At start of year	137,094	116,873
Net expense recognised in statement of profit or loss and other comprehensive income	30,987	29,554
Benefits paid	(5,575)	(9,333)
At end of year	162,506	137,094

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

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
Current service cost	17,738	5,938
Past service cost	69	36
Interest on obligation	16,200	16,185
Total included in employee benefits expenses (Note 10)	34,007	22,159
Actuarial gain/(loss) recognised in other comprehensive income (Note 11(c))	3,020	(7,395)

## Notes to the Consolidated and Separate Financial Statements (continued)

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

The amounts recognised in the statement of financial position represent the present value of unfunded obligations and are determined as follows:

	31 December 2023			31 December 2022		
	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	111,108	25,986	137,094	93,831	23,042	116,873
Current service cost	5,274	12,464	17,738	4,804	1,134	5,938
Past service cost	69	-	69	36	-	36
Interest expense	16,200	-	16,200	13,229	2,956	16,185
	21,543	12,464	34,007	18,069	4,090	22,159
Remeasurements:						
(Losses)/gains from change in assumptions	(3,144)	-	(3,144)	4,601	1,802	6,403
Experience losses/(gains)	124	-	124	(1,252)	2,244	992
	(3,020)	-	(3,020)	3,349	4,046	7,395
Benefits paid	(4,595)	(980)	(5,575)	(4,141)	(5,192)	(9,333)
At end of year	125,036	37,470	162,506	111,108	25,986	137,094



## Notes to the Consolidated and Separate Financial Statements (continued)

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

The principal actuarial assumptions used are as follows:

		Gratuity (Makuyu)	Gratuity (Nandi Hills)
	2023	2022	2022
Discount rate (% p.a.)	15.7%	14.2%	14.2%
Future salary increases (% p.a.)			
first year	8.0%	9.0%	10.0%
second year	8.0%	7.5%	7.5%
Thereafter	8.0%	7.5%	7.5%
<hr/> <hr/>			
<b>Mortality (pre-retirement)</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
Ill-Health	At rates consistent with similar arrangements	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Retirement age	55 years	55 years	55 years

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 3,244,000
Salary growth rate	<u>by 1%</u>	<u>Not material</u>

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

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

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>
Present value of post employment benefit obligations – Group and Company	162,506	137,094
Net expense/(income) recognised in the statement of profit or loss and other comprehensive income – Group and Company		
- within 'cost of sales'	34,007	22,159
- within 'other comprehensive (income)/loss	(3,020)	7,395

#### 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.

As at 31st December 2023, the company had an accrued liability in relation to Nandi gratuity of Shs 37,470,000 that crystalized upon enforcement of NSSF Act 2013 and the gratuity clause in the Collective Bargaining Agreement with the Union ceased to apply. The NSSF pension scheme applies from 1st February 2023

## Notes to the Consolidated and Separate Financial Statements (continued)

### 17 Lease obligations – Group and Company

	2023 Shs'000	2022 Shs'000
The movement in the lease liabilities is as follows:		
Balance at 1 January	494	462
Interest on lease liabilities	33	33
Lease payments	-	(1)
	<hr/>	<hr/>
At 31 December	527	494
	<hr/> <hr/>	<hr/> <hr/>
Amounts due for settlement within 12 months	201	168
Amounts due for settlement after 12 months	326	326
	<hr/>	<hr/>
	527	494
	<hr/> <hr/>	<hr/> <hr/>
Year 1	201	168
Year 2	21	23
Year 3	19	21
Year 4	18	19
Year 5	16	18
Onwards	252	245
	<hr/> <hr/>	<hr/> <hr/>
	527	494

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

The cash outflow for leases for the year ended 31 December 2023 was nil (2022 Shs 1,000).

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

## Notes to the Consolidated and Separate Financial Statements (continued)

### 18 Property, plant and equipment

#### Group and Company

	Bearer plants Shs'000	Buildings, 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 2023</b>							
<b>Cost</b>							
At start of year	1,777,737	2,125,935	435,936	409,814	173,199	251,843	5,174,464
Transfers	101,863	10,771	17,863	-	240	(130,737)	-
Additions	-	127,152	12,818	20,919	13,897	96,197	270,983
Disposals	(21,497)	(16,606)	(2,207)	(11,298)	(2,480)	-	(54,088)
At end of year	<u>1,858,103</u>	<u>2,247,252</u>	<u>464,410</u>	<u>419,435</u>	<u>184,856</u>	<u>217,303</u>	<u>5,391,359</u>
<b>Depreciation and impairment</b>							
At start of year	526,005	816,368	346,688	279,495	120,094	-	2,088,650
Charge for the year	85,617	95,522	54,868	30,302	9,582	-	275,891
Eliminated on disposals	(9,353)	(13,285)	(1,740)	(11,298)	(2,467)	-	(38,143)
At end of year	<u>602,269</u>	<u>898,605</u>	<u>399,816</u>	<u>298,499</u>	<u>127,209</u>	<u>-</u>	<u>2,326,398</u>
Net book amount	<u>1,255,834</u>	<u>1,348,647</u>	<u>64,594</u>	<u>120,936</u>	<u>57,647</u>	<u>217,303</u>	<u>3,064,961</u>
<b>Depreciation and impairment at year end comprises:</b>							
Depreciation	602,269	898,605	399,816	298,499	127,209	-	2,326,398
Impairment	-	-	-	-	-	-	-
	<u>602,269</u>	<u>898,605</u>	<u>399,816</u>	<u>298,499</u>	<u>127,209</u>	<u>-</u>	<u>2,326,398</u>

Property, plant and equipment stated at cost of Shs 619,824,047 (2022: 602,191,102) have been fully depreciated as at 31 December 2023. There were no items of property, plant and equipment whose title were restricted or pledged as security for liabilities as at 31 December 2023 (2022: none).

Based on an impairment review performed by the Directors at 31 December 2023, no indication of impairment of property, plant and equipment were identified (2022: none).

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

## Notes to the Consolidated and Separate Financial Statements (continued)

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

#### Group and Company

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

## Notes to the Consolidated and Separate Financial Statements (continued)

### 19 Right of use assets – Group and Company

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

	<b>2023</b>	<b>2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Cost</b>		
At 1 January and at 31 December	4,791	4,791
<b>Accumulated depreciation</b>		
At 1 January	555	505
Charge for the year	49	50
At 31 December	604	555
At 31 December	4,187	4,236
<b>Amounts recognised in profit and loss</b>		
Depreciation expense of right of use assets	49	50
Interest expenses on lease liabilities (Note 17)	33	33
	82	83

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 (2022: Nil).

## Notes to the Consolidated and Separate Financial Statements (continued)

### 20 Investment in subsidiaries-Company only

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

	<b>Kaguru EPZ Limited Shs'000</b>	<b>Estates Services Limited Shs'000</b>	<b>Total Shs'000</b>
<b>Year ended 31 December 2023</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>Year ended 31 December 2022</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 Group's ability to access or use assets of the subsidiaries to settle the Group's liabilities at 31 December 2023 and 31 December 2022.

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

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

	<b>Maturity rate Average Interest Rate</b>	<b>Maturity date</b>	<b>2023 Shs'000</b>	<b>2022 Shs'000</b>
Treasury Infrastructure Bonds	12.50%	18-Nov-24	<u>100,000</u>	<u>100,000</u>
The movement in financial assets held to maturity is as follows:				
			<b>2023 Shs'000</b>	<b>2022 Shs'000</b>
At start of year			100,000	200,000
Redeemed in the year			<u>-</u>	<u>(100,000)</u>
At end of year			<u>100,000</u>	<u>100,000</u>
Non current portion			-	100,000
Current portion			<u>100,000</u>	<u>-</u>
			<u>100,000</u>	<u>100,000</u>

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

None of the financial assets had been pledged as collateral for liabilities or contingent liabilities as at 31 December 2023 (2022: Nil).

## Notes to the Consolidated and Separate Financial Statements (continued)

### 22 Inventories – Group and Company

	2023 Shs'000	2022 Shs'000
Spare parts and consumable materials	159,508	245,204
Avocado	-	27,333
Macadamia nuts	350,474	560,704
Blueberries	36	587
Poles and timber	<u>41,617</u>	<u>36,402</u>
Total inventories	<u><u>551,635</u></u>	<u><u>870,230</u></u>

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 2,824,432,000 (2022: Shs 1,760,964,000). There was a write down of macadamia nut inventory amounting to Shs 17,046,028 (2022: Nil).

### 23 Receivables and prepayments – Group and Company

	2023 Shs'000	2022 Shs'000
Trade receivables	159,273	89,177
Expected credit loss allowance	<u>(5,928)</u>	<u>(5,928)</u>
Trade receivables - net	153,345	83,249
Due from related companies (Note 27(v))	211,192	164,841
Staff debtors - net	46,295	44,852
Value Added Tax (VAT) Refunds receivable	188,735	129,415
Other receivables and prepayments	<u>79,500</u>	<u>118,664</u>
	679,068	541,021
Less non current portion	<u>(50,763)</u>	<u>(42,332)</u>
Current receivables and prepayments	<u><u>628,305</u></u>	<u><u>498,689</u></u>
Staff loans	49,213	40,782
Trade deposits	<u>1,550</u>	<u>1,550</u>
Non current receivables	<u><u>50,763</u></u>	<u><u>42,332</u></u>

Other receivables comprise trade deposits and a shipping rebate.

Non current receivables are due within five years from reporting date and are secured and are charged interest of 3.5% (2022: 3.0%). None of the amounts were impaired (2022: Nil).

#### Trade receivables

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

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

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



## Notes to the Consolidated and Separate Financial Statements (continued)

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

31/12/2023	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	
Trade receivables - gross	-	153,345	-	-	5,928	159,273
Expected credit loss rate	0%	0%	0%	0%	100%	-
	=====	=====	=====	=====	=====	=====

31/12/2022	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	
Trade receivables - net	-	83,249	-	-	5,928	89,177
Expected credit loss rate	0%	0%	0%	0%	100%	-
	=====	=====	=====	=====	=====	=====

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 Shs'000	Individually assessed Shs'000	Total Shs'000
Balance at 1 January 2022	-	5,324	5,324
Loss allowance charge for the year 2022	-	604	604
Balance as at 31 December 2022	-	5,928	5,928
Loss allowance charge for the year 2023	-	-	-
Balance as at 31 December 2023	-	5,928	5,928

### 24 Payables and accrued expenses

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Trade payables	138,386	79,075	138,386	79,075
Due to related companies (Note 27(v))	-	5,983	8,383	14,366
Accrued expenses	43,023	23,656	43,023	23,656
Leave obligations	48,338	40,107	48,338	40,107
Payroll and statutory deductions	41,473	21,386	41,473	21,386
Legal and professional fees	36,196	26,229	36,196	26,229
Other payables	22,196	32,403	22,196	32,403
	329,612	228,839	337,995	237,222

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

## Notes to the Consolidated and Separate Financial Statements (continued)

### 24 Payables and accrued expenses (continued)

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

	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
At start of year	40,107	36,634	40,107	36,634
Charge for the year	9,581	5,004	9,581	5,004
Paid during the year	(1,350)	(1,531)	(1,350)	(1,531)
At end of year	48,338	40,107	48,338	40,107

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

### 25 Cash and cash equivalents - Group and Company

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

	2023 Shs'000	2022 Shs'000
Cash at bank and in hand	733,034	126,822
Short term deposits	675,097	1,281,922
	<u>1,408,131</u>	<u>1,408,744</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:

	2023	2022
Kenya Shillings deposits (nil as at 31 December 2023)	n/a	10.0%
United States Dollar deposits	<u>6.5%</u>	<u>4.2%</u>

The Directors consider that the carrying amounts of cash and cash equivalents in the consolidated financial statements approximate their fair values. As at the reporting date, the Group and Company had an undrawn facilities with local financial institutions amounting to Shs. 426,300,000 (2022: Shs. 426,300,000).

There were no amounts of cash and cash equivalents held by the Group that were not available for use by the Group as at 31 December 2023 (2022: Nil).

## Notes to the Consolidated and Separate Financial Statements (continued)

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

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

	2023 Shs'000	2022 Shs'000
Profit before income tax	663,982	1,221,624
<b>Adjustments for non-cash items</b>		
Net exchange gains on foreign currency cash & cash equivalents (Note 7)	(114,657)	(82,312)
Interest expense on lease liabilities (Note 8)	33	33
Interest income (Note 8)	(54,760)	(78,530)
Depreciation on property, plant and equipment (Note 18)	275,891	266,985
Depreciation of right of use assets (Note 19)	49	50
Loss on disposal of property, plant and equipment	13,377	7
Gains arising from changes in fair value less estimated point-sale costs of non-current biological assets (Note 6 (i))	(126,808)	(113,559)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 6 (i))	74,618	70,643
Fair value movement in biological assets – growing agricultural produce (Note 6)	(186,383)	(259,340)
	<u>(118,640)</u>	<u>(196,023)</u>
<b>Changes in working capital:</b>		
- Decrease/(increase) in inventories	318,595	(365,807)
- Increase in receivables and prepayments	(138,047)	(159,406)
- Increase in payables, accrued expenses and lease obligations	100,773	1,345
- Increase in post-employment benefit obligations and actuarial gains	28,432	12,826
	<u>309,753</u>	<u>(511,042)</u>
Cash generated from operations	<u>855,095</u>	<u>514,559</u>

### 27 Related party transactions – Group and Company

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

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

	2023 Shs'000	2022 Shs'000
<b>i) Sale of goods to:</b>		
Eastern Produce Kenya Limited	408,584	295,665
E P (T) East Africa Limited	-	139
	<u>408,584</u>	<u>295,804</u>

## Notes to the Consolidated and Separate Financial Statements (continued)

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

#### ii) Purchase of goods and services from:

Eastern Produce Kenya Limited	124,906	86,074
Eastern Produce Regional Services Limited	119,610	112,258
Eastern Produce Estates SA (PTY) Ltd	-	37
	<u>244,516</u>	<u>198,369</u>

The purchase of goods and services related to Eastern Produce Regional Services Limited includes a charge for the Executive Directors remuneration amounting to Shs 33,769,000 (2022: Shs 29,173,000).

	2023 Shs'000	2022 Shs'000
<b>iii) Key Management compensation</b>		
Salaries and other short-term employment benefits	123,168	113,844
Post employment benefits	<u>2,102</u>	<u>1,737</u>
	<u>125,270</u>	<u>115,581</u>
<b>iv) Non-Executive Directors' remuneration</b>		
Fees for services as a Director	27,090	23,460
Other emoluments	<u>604</u>	<u>521</u>
	<u>27,694</u>	<u>23,981</u>

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

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
<b>Due from related Companies</b>				
Eastern Produce Kenya Limited	206,757	164,702	206,757	164,702
E P (T) East Africa Limited	-	139	-	139
Eastern Produce Regional Services Limited	<u>4,435</u>	<u>-</u>	<u>4,435</u>	<u>-</u>
Total (Note 23)	<u>211,192</u>	<u>164,841</u>	<u>211,192</u>	<u>164,841</u>
<b>Due to related Companies</b>				
Estates Services Limited	-	-	2,570	2,570
Kaguru EPZ Limited	-	-	5,813	5,813
Eastern Produce Regional Services Limited	-	5,979	-	5,979
Eastern Produce Estates SA (PTY) Ltd	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
Total (Note 24)	<u>-</u>	<u>5,983</u>	<u>8,383</u>	<u>14,366</u>

## Notes to the Consolidated and Separate Financial Statements (continued)

### 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:

	2023 Shs'000	2022 Shs'000
Property, plant and equipment	<u>20,044</u>	<u>45,810</u>

#### Biological assets commitments

There were no commitments for development or acquisition of biological assets as at 31 December 2023 (2022: Nil).

### 29 Contingent liabilities and guarantees

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

Various parties have lodged claims at the National Land Commission (NLC) against the Group, potentially affecting the land on which it carries out its business. The Group has instructed its legal advisers to represent it in these matters. The Directors, in consultation with professional legal advisers, believe that the Group has a reasonable chance of successfully defending these claims.

In October 2022, the Kenya Revenue Authority (KRA) carried out a tax audit on the operations of Kakuzi Plc and issued an assessment notice under section 31 (1) of the Tax Procedures Act 2015 in relation to withholding taxes paid to sales agents dating back to years 2017 to 2022. The Group objected to these assessments and filed an appeal at the Tax Appeals Tribunal. The assessment by KRA amounted to Shs 35,662,523, comprising principal withholding tax of Shs. 30,735,064 and penalties and interest amounting to Shs. 1,536,753 and 3,390,706 respectively.

The Directors, in consultation with professional tax advisers, believe they have sufficient basis for this appeal and that it is unlikely that the matter will result into a material liability to the Group.

### 30 Subsequent events

There have been no significant events after the reporting date to the date of issuing these financial statements which have a material financial statement impact at 31 December 2023.

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Kakuzi Plc  
Consolidated and Separate Financial Statements  
For the year ended 31 December 2023

Company's five year record

	<b>2023</b> <b>Shs'000</b>	<b>2022</b> <b>Shs'000</b>	<b>2021</b> <b>Shs'000</b>	<b>2020</b> <b>Shs'000</b>	<b>2019</b> <b>Shs'000</b>
Sales	5,401,468	4,434,211	3,296,414	3,608,941	2,888,662
Profit before income tax	663,982	1,221,624	471,556	847,532	1,014,477
Income tax	(210,465)	(375,820)	(151,820)	(225,498)	(301,038)
Profit after income tax	453,517	845,804	319,736	622,034	713,439
Profit attributable to the members of Kakuzi Plc	453,517	845,804	319,736	622,034	713,439
Dividends: -					
Proposed final dividend - for the year	470,400	470,400	431,200	352,800	274,400
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves	5,831,941	5,846,710	5,437,282	5,464,308	5,116,184
Total equity	5,929,941	5,944,710	5,535,282	5,562,308	5,214,184
Basic earnings per ordinary share (Shs)	23.14	43.15	16.31	31.74	36.40
Dividends per ordinary share (Shs)	24.00	24.00	22.00	18.00	14.00
Dividend cover	0.96	1.80	0.74	1.76	2.60
Total equity per ordinary share (Shs)	302.55	303.30	282.41	283.79	266.03

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

**MAJOR SHAREHOLDERS**

The 10 major shareholders and their holdings at 31 December 2023 were:

	<b>Shareholder name</b>	<b>Number of ordinary shares</b>	<b>%</b>
1	John Kibunga Kimani	6,525,223	33.29%
2	Bordure Limited*	5,107,920	26.06%
3	Lintak Investments Limited*	4,828,714	24.64%
4	Kakuzi Neighbourhoods Development Foundation	466,598	2.38%
5	G.H. Kluge & Sons Limited	239,118	1.22%
6	HSBC Global Custody Nominee (UK) Limited	200,000	1.02%
7	Joe B.Wanjui	122,004	0.62%
8	John Okuna Ogango	115,400	0.59%
9	Lise Larsen & Esther Ebba Aasberg Larsen	48,999	0.25%
10	Kusumben Ambubhai Amin	47,559	0.24%
		<b>17,701,535</b>	<b>90.31%</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 2023 was:

<b>Ordinary shares range</b>	<b>Number of shareholders</b>	<b>Number of ordinary shares</b>	<b>%</b>
Less than 500	885	133,967	0.68%
501 to 5,000	419	760,764	3.88%
5,001 to 10,000	45	343,448	1.75%
10,001 to 100,000	38	756,843	3.86%
100,001 to 1,000,000	5	1,143,120	5.84%
Over 1,000,000	3	16,461,857	83.99%
	<b>1,395</b>	<b>19,599,999</b>	<b>100.00%</b>

Kakuzi Plc

Form of Proxy (96<sup>th</sup> Annual General Meeting)

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I/WE

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of \_\_\_\_\_ being a member of the above-named Company,

hereby appoint: \_\_\_\_\_

of (address) \_\_\_\_\_ Telephone Number \_\_\_\_\_

Email Address \_\_\_\_\_, or failing him/her \_\_\_\_\_

of (address) \_\_\_\_\_ Telephone number \_\_\_\_\_

Email Address \_\_\_\_\_ or failing him/her the

duly appointed Chairman of the meeting, as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on **Tuesday 14<sup>th</sup> May 2024 at 12.00 noon**, and at any adjournment thereof.

As witness my/our hand this.....day of .....2024

Signed .....

Signed .....

**Note:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company, this form must be completed under its common seal or under the hand of an officer or attorney duly authorized in writing.
3. Proxies must be in the hands of the Company's Registrars no later than Friday, 10<sup>th</sup> May 2024.



FOLD 2

STAMP

FOLD 1

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

FOLD 3

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