KAKUZI PLC

ANNUAL REPORT AND AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Table of Contents

COUNTRY OF INCORPORATION

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

DIRECTORS

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

Mr. N Ng'ang'a	Chairman
Mr. C J Flowers*	Managing Director
Mr. G H Mclean*	
Mr. K R Shah	
Mr. D M Ndonye	
Mr. S N Waruhiu	
Mr. A N Njoroge	
Dr. J K Kimani	

* British

REGISTERED OFFICE

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

REGISTRARS

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

SUBSIDIARY COMPANIES

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

AUDITOR

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

SECRETARY

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

BANKERS

KCB Bank Kenya Limited
P O Box 30081
00100 NAIROBI

NCBA Bank Kenya Plc
P O Box 44599
00100 NAIROBI

ORDINARY SHARES

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

NOTICE is hereby given that the Ninety Fourth Annual General Meeting of the Members of the Company will be held via electronic means on Tuesday, 17th May 2022 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 Third Annual General Meeting held on 18th May 2021.

4. To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2021 together with the reports of the Chairman, the Directors and the Independent Auditors thereon.

5. To declare a first and final dividend of Shs. 22 per ordinary share (2020: Shs. 18.00) for the Financial Year ended 31 December 2021.

6. To approve the Directors' Remuneration Report as detailed in the Annual Report for the Financial Year ended 31 December 2021.

7. To re-elect Directors:-

   i) Mr. Stephen Njoroge Waruhiu, a Director who retires by rotation in accordance with Article 27 of the Company's Articles of Association and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.

   ii) Mr. Daniel Mutisya Ndonye, 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 Ndonye
   b) Mr. Stephen Njoroge Waruhiu
   c) Mr. Andrew Ndegwa Njoroge

9 To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Kenyan Companies Act, 2015 and to authorise the Directors to fix the Auditors' remuneration for the ensuing Financial Year in accordance with the provisions of Section 724 (1) of the Kenyan Companies Act, 2015.

SPECIAL BUSINESS

10 To consider and, if thought fit, to amend articles 11 (2), 26 (1) and 45 (3) of the Company's Articles of Association by a Special Resolution and the amended articles to read as follows: -

   11 (2) "A meeting of the Board shall be held at the head office of the Company or at such other location contained in the notice convening the meeting. The meetings may be held either by means of physical, hybrid or conference call, internet, voice over internet protocol, electronic or other communication facilities or channels permitting all persons participating in the meeting to communicate adequately during the meeting, allows for simultaneous communication and is capable of being recorded and such participation shall constitute a presence of a quorum at a meeting of the Directors as if those participating were present in person."

SPECIAL BUSINESS (continued)

26 (1) “Unless and until otherwise from time to time determined by an ordinary resolution of the Company, the number of the Directors (excluding Alternates) shall not be less than Two (2) nor more than Nine (9) in number.

45 (3) “The Board may determine the place and time at which the Members meet and the manner in which General meetings are coordinated. General meetings may be held either physically or by use of technology and electronic communication such as video conferencing, webinars, teleconferencing and any such other technology or a hybrid of both physical and virtual meetings provided that the channels permitted allows all persons to participate, vote and communicate adequately during the meeting and is capable of being recorded and such participation shall constitute a presence of a quorum at a meeting of the Members as if those who were participating were present in person.”

11 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

22 March 2022

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.

Shareholders will be able to register to follow the meeting, vote electronically or by proxy and may ask questions in advance of the Annual General Meeting in the manner detailed hereafter. Registration for the AGM will open on Tuesday, 3rd May 2022 at 8.00 a.m and will close on Monday, 16th May 2022 at 12.00 noon. Shareholders will not be able to register after Monday, 16th May 2022 at 12.00 noon.

1) In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related public health regulations and directives the Annual General Meeting will be held virtually.

2) Shareholders wishing to participate in the meeting should register for the AGM online at https://digital.candrgroup.co.ke or by dialing USSD short code number ***384*043#** or via a link to the AGM Platform that will be sent to them via SMS and/or Email and following the various registration prompts. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and their shares account number or CDSC Account Number at hand. For assistance shareholders should dial the following helpline number+254 20 7608216 from 8:00 a.m. to 4:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register or send an email digital@candrgroup.co,ke.

3) Registration for the AGM opens on 3rd May, 2022 at 08:00AM and will close on 16th May, 2022 at 12.00 Noon.

4) Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

a) Sending their written questions by email to digital@candrgroup.co,ke or

b) Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialing the USSD code ***384*043#** and selecting the option (ask Question) on the prompts
or
c) Shareholders who will have registered to participate in the meeting shall be able to ask questions by visiting https://digital.candrgroup.co.ke platform; Select Attend Event; Select "Kakuzi Plc AGM";
Select "Q&A" option tab and submit questions in text box provided; or
d) To the extent possible, physically delivering their written questions by 13th May, 2022 12:00 *Noon* with a return physical address or email address to the Company Registrars address: Custody & Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue

5) Shareholders wishing to vote may do so by:

a) Accessing Virtual AGM via https://digital.candrgroup.co.ke platform; Select Attend Event; Select "Kakuzi Plc AGM"; Select "Voting" option tab and vote; or
b) Accessing Virtual AGM via USSD platform*384*043# ; Use the menu prompts menu option for "Voting" and follow the various prompts regarding the voting process

6) In accordance with Section 298(1) of the Kenyan Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf.

- A proxy need not be a member of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone or an internet enabled device.
- A proxy form is included in this Annual Report and is also available on the Company's website via this link: https://www.kakuzi.co.ke/regulatory-news. Physical copies of the proxy form are also available at the Company Registrars address: Custody & Registrars, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi.
- A proxy form must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate.
- A completed form of proxy should be emailed to proxy@candrgroup.co.ke or delivered to Custody & Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi so as to be received not later than Friday 13th May 2022 at 12.00 Noon. Any person appointed as a proxy should submit his/her email or mobile telephone number to the Company no later than Friday13th May 2022 at 12.00 Noon.
- Any proxy registration that is rejected will be communicated to the shareholder concerned not later than Monday 16th May 2022 to allow time to address any issues.

7) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive ashort message service (SMS) and/or an email prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS and/or an email prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

8) Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD *384*043# or *Voting Matters* tab on the live stream display screen

9) A poll shall be conducted for all the resolutions put forward in the notice.

10) Results of the AGM shall be published within 24 hours following conclusion of the AGM

11) The preferred method of paying dividends which are below Kshs 140,000.00 is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends by dialing *483*038# or contacting the Share Registrar, Custody & Registrars Services Limited

12) All present and former shareholders of the Company are hereby notified that pursuant to the provisions of the Unclaimed Financial Assets Act No 40 of 2011 Parts II and III, dividends and shares which have not been claimed for a period of three (3) years or more will require to be delivered to the Unclaimed Financial Assets Authority ('the Authority) as abandoned assets on the appointed date.

Therefore, all present and former shareholders with unpaid dividends are requested to urgently contact the Share Registrar, Custody & Registrars Services Limited at the address indicated below to claim any unpaid dividends to avert the risk of the dividends being forwarded to the Authority.

Custody & Registrars Services Limited (C&R Group)
IKM Place, Tower B, 1st Floor 5th Ngong Avenue, Nairobi
Tel: Mobile: +254 20 7608216,
Email: proxy@candrgroup.co.ke

KAKUZI PLC

MINUTES OF THE NINETY THIRD (93RD) ANNUAL GENERAL MEETING OF THE COMPANY HELD BY ELECTRONIC MEANS ON TUESDAY, 18TH MAY 2021 AT 12:00 NOON

Present:	Mr Nicholas Ng'ang'a	- Chairman and shareholder
	Mr Christopher J Flowers	- Managing Director
	Mr Daniel M Ndonye	- Director
	Mr Stephen N Waruhiu	- Director
	Mr Andrew N Njoroge	- Director
	Dr John K Kimani	- Director and Shareholder
	Mr Graham H Mclean	- Director, Shareholder and Holding proxy for Lintak Investments Limited and Bordure Limited
	Mr Ketan R Shah	- Finance Director and Shareholder
	Members	- 59 Shareholders were present
In Attendance:	Ms Anne Muraya	- Representing Deloitte and Touche, LLP External Auditors
	Mr John Maonga	- Company Secretary

The Chairman opened the meeting by welcoming the shareholders to the Ninety Third Annual General Meeting (AGM) of the Company. He explained that this AGM had been convened and held virtually due to the continued COVID-19 pandemic. He thanked all the members present for attending this second virtually held AGM of the Company.

Thereafter, he introduced himself, the Directors, the Company Secretary and the representative of the External Auditors who were present at this meeting.

1. NOTICE AND CONFIRMATION OF QUORUM

At the request of the Chairman, the Company Secretary read the notice convening this meeting, tabled the proxies received and confirmed the presence of a quorum to transact the business of this meeting.

The Chairman thereupon declared the meeting properly convened and constituted.

2. CHAIRMAN'S REMARKS

The Chairman updated the shareholders on the operations and activities undertaken by Management and staff members to curb the spread of the COVID-19 virus as well as support the efforts to the Community and the County Government in tackling the COVID-19 pandemic. He also highlighted the collaboration with the Ministry of Health to spearhead vaccination exercise within the Community by use of the Company's clinics where 400 persons were vaccinated against COVID-19 virus. The Company had initiated Community Social Investment programs to prevent the spread of COVID-19 virus including provision of ICU beds, clean water, personal protective equipment (PPEs) and more school desks to assist in decongesting classrooms. Further, he highlighted the challenges which were experienced by the Company during its operations in 2020 and presented the outlook of the Company for the year 2021. Despite the COVID-19 pandemic, he expressed his confidence that the Company had adopted exceptional strategies that would provide additional opportunities and diversify the revenue streams of the Company to better improve the performance.

The Chairman requested the shareholders to ask questions relating to the Financial Statements which would be answered as the meeting progressed.

The Chairman then explained to the members that all the resolutions that were required to be passed at this meeting would be read by the Company Secretary and the voting process would commence immediately after the Company Secretary would conclude reading the resolution until 2.00 p.m. (East African Time) on 18 May 2021. The results of the polling shall be placed on the Company's website within 24 hours after the closure of the voting time.

The Chairman reported that the minutes of the Ninety Second Annual General Meeting of the Company held on 9 June 2020 had been distributed to the Shareholders and were available on the Company's website and he recommended that the minutes be taken as read.

3. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Chairman recommended to the shareholders to take the Chairman's Statement and the Directors report in the Annual Report for the Financial Year ended 31 December 2020 as read.

At his request, Ms Anne Muraya, the representative of the External Auditors, read the Independent Auditors' Report which was on pages 23 to 26 of the Annual Report for the Financial Year ended 31 December 2020.

The Chairman confirmed that the Company had received shareholders' questions and that answers had been placed on the Company's Website. Further, the Chairman explained that the shareholders could still send in more questions which would be answered and the same would be placed on the Company's Website.

The Chairman invited the Managing Director and he addressed the questions raised by the shareholders prior to the meeting.

Thereafter, the Chairman requested the shareholders to dial in live and ask questions relating to the Financial Statements which were answered to the satisfaction of members.

The Chairman requested the Company Secretary to read the resolutions that were to be voted on by the Shareholders.

The Company Secretary read the seven resolutions that were to be voted on and he confirmed that there was no any other business submitted for discussion for this meeting.

The Company Secretary thereafter, explained to the shareholders that a tutorial video would be played at the end of the meeting to guide the shareholders on the online voting procedure in respect of the resolutions.

4. RESOLUTIONS BASED ON POLLING RESULTS

After the closure of the voting period and based on the analysis and outcome of the polling result of the Ninety Third (93rd) Annual General Meeting, the following resolutions were duly passed:-

a. APPROVAL OF MINUTES

On a proposal by Mr Alois Chami and seconded by Mr Stephen Irungu Kimani, it was resolved that the minutes of the Ninety Second Annual General Meeting held on 9 June 2020 be and are hereby approved.

b. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

On a proposal by Mr Tom Oloo and seconded by Mr Gerald M'Ikunyua, it was **resolved** that the Audited Financial Statements of the Company for the year ended 31 December 2020 together with the reports of the Chairman, the Directors and the Independent Auditors thereon be and are hereby adopted.

c. DIVIDEND

On a proposal by Ms Salome Njari Njenga and seconded by Ms Grace Musimbi Oduor, it was resolved that a first and final Dividend of Kshs. 18.00 per ordinary share in respect of the Financial Year ended 31 December 2020 be and is hereby approved for payment on or before 30th June 2021 to members on the register at the close of business on 31st May 2021.

d. DIRECTORS' REMUNERATION REPORT

On a proposal by Mr Moses Muthui and seconded by Mr John Wandugo, it was resolved that the Directors' Remuneration Report as detailed in the Annual Report for the Financial Year ended 31 December 2020 be and is hereby approved.

4. RESOLUTIONS BASED ON POLLING RESULTS (Continued)

e. RE-ELECTION OF DIRECTORS

i. On a proposal by Mr Stephen Irungu Kimani and seconded by Ms Sarah Wairimu Muhoho, it was **resolved** that Mr Nicholas Ng'ang'a, a Director who is over seventy years old, retired 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 and had offered himself for re-election, be and is hereby re-elected.

ii. On a proposal by Ms Christine Rakamba Obare and seconded by Ms Emily Maina, it was **unanimously resolved** that Mr Andrew Ndegwa Njoroge, a Director who retired 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 and had offered himself for re-election, be and is hereby re-elected.

iii. On a proposal by Mr Ketan Shah and seconded by Ms Mary Ndung'u, it was **resolved** that Dr. John K Kimani, a Director who retired in accordance with Article 26 (5) of the Company's Articles of Association and in accordance with the provisions of clause 2.5.1 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 and, a Special Notice having been received which proposed his re-election pursuant to Section 287 of the Kenyan Companies Act, 2015, and had offered himself for re-election, be and is hereby re-elected.

f. RE-ELECTION OF MEMBERS OF THE BOARD AUDIT AND RISK COMMITTEE

On a proposal by Ms Brigit Muruu and seconded by Ms Sophie Njeri Moturi, it was resolved that in accordance with the provisions of Section 769 of the Kenyan Companies Act, 2015, the following Directors, being members of the Board Audit and Risk Committee be and are hereby re-elected to continue serving as members of the said Committee:-

a) Mr Daniel M Ndonye
b) Mr Stephen N Waruhiu
c) Mr Andrew N Njoroge

g. RE-APPOINTMENT OF AUDITORS

On a proposal by Mr Alois Chami and seconded by Mr Tom Oloo, it was unanimously resolved that in accordance with the provisions of Section 721 (2) of the Kenyan Companies Act, 2015, Messrs Deloitte & Touche LLP be and are hereby re-appointed as the Auditors of the Company for the Financial Year ending 31 December 2021 and the Directors were authorized to fix their remuneration in accordance with the provisions of Section 724 (1) of the Kenyan Companies Act, 2015.

THERE BEING NO OTHER BUSINESS, THE CHAIRMAN DECLARED THE MEETING CLOSED AT 12.50 P.M. (EAT) AND URGED THE MEMBERS TO TAKE CARE AND BE SAFE DURING THE COVID-19 PANDEMIC.

Confirmed ______________________________ Date ________________
Chairman

RESULTS

The year saw the group post reduced earnings due to lower avocado production and prices. This was due to the avocado orchards entering their bi-annual offseason bearing cycle which results in a large crop of avocados in one year, followed by a small crop the following year.

We, however, experienced greater earnings from macadamia sales during the year as a result of increased yields from our young orchards. Product diversification and value addition remain key investment areas to enhanced stakeholder value and our continued commitment to these is critical for the long term.

At the field level, our Hass avocado volumes were lower than the previous year by 17.5% as the orchards entered a low production year. The revenue decline was also compounded by a fall in the European market price due to a higher fruit supply from Peru and Columbia.

Avocado production volumes were lower than in 2020, and we could not meet all of our customers' orders. However, it is instructive to note that the Kakuzi order book from the international markets was far more than we could supply, signifying continued market confidence and trust in our products.

Last year's trading performance recorded greater profits from macadamia. Notably, macadamia sales increased to 513 tons from 320 tons in 2020. As the young macadamia orchards mature, we anticipate these volumes growing.

Tea earnings have marginally increased from improved market prices but the growth in Kenya tea production and supply remains of concern.

Our Blueberry production is still at a pilot trial stage, although with each year, the bushes are growing in size, which leads to higher production volumes. Blueberry production in Kenya is in its infancy, and we have a long way to go to fully appreciate the potential of this crop for Kakuzi and the Nation. We believe that this is a very high potential product within our portfolio, and remain optimistic of Blueberry production as one of our diversification strategy key pillars.

DIVIDEND

Your board recommends an increase in the dividend per share to Shs 22.00 compared to Shs 18.00 per share in 2020.

OVERVIEW

Over the year, the international avocado and macadamia markets were negatively influenced by the COVID-19 pandemic, resulting in less consumer activity and from increased supply from other origins in the European avocado market.

Within the avocado orchards we have stepped up canopy management strategies on the mature avocado crop to mitigate the bearing cycles risk. Such initiates along with field expansion (planting of new seedlings) should help to maintain production volumes at consistent levels.

Currently, we have established a thriving new but immature avocado development area (about 373 hectares), with production expected in the coming seasons. Land preparation for another new Avocado development is also underway in an area previously under pineapple production.

Last year, we also commenced planning and field preparation for new macadamia orchards, with establishment due to begin in the third Quarter of 2022. This will also be on land previously under pineapple cultivation.

OVERVIEW (continued)

Our recent investments in the latest colour sorting technology in the macadamia Cracking facility is designed to increase the factory’s capacity whilst at the same time producing a high-quality product. The investment in technology for food processing is paying dividends at the post-harvest and value addition level. This year, we intend to step up such investments as we explore local retail sales and supplies to the medium to large Hotel/Restaurant/Café (HORECA) market.

We have also integrated state-of-the-art irrigation systems at field production level, fed from our own rainwater harvesting catchment dams. The efficient use of irrigation and maximising water catchments at Kakuzi are vital components of our sustainability strategy.

Exciting opportunities are also emerging from our animal feed and livestock operations. We believe that producing affordable good, quality hay and diversifying our meat production to include goats will strengthen this section of our business.

We believe that it is no longer acceptable to talk about being carbon net-zero; we must farm in a manner that captures atmospheric carbon into our soils to grow our plants. Sustainable traditional agricultural techniques have long been practised in our Country; however, given today's populations the use of technology and science to create the 'sustainable farming handbook' of the future is essential. Since 2018 Kakuzi has been working with the Carbon Trust in the UK to set ourselves a strict reporting criterion to measure our Carbon footprint. The preservation of agricultural soils, the conservation of water, the enhancement of natural watersheds and catchments must be combined with many other elements if we are going to future proof our farming. Our strategic plans are now heavily focused on how Kakuzi operationalises these vital elements into our business.

WORLD-CLASS

Within the last financial year, we made history as the first group in sub-Sahara Africa to establish a functional Independent Human Rights Advisory Committee (IHRAC) benchmarked against the United Nations Guiding Principles on Business and Human Rights. The IHRAC chaired by former Attorney General Prof Githu Muigai provides independent Human Rights advice to the Board, effectively enhancing our corporate governance standards. In appointing the IHRAC, Kakuzi joined a growing list of globally focused institutions’ progressively adopting the UN Guiding Principles on Business and Human Rights.

As a key operations pillar, Kakuzi has also established a world-class Operational Level Grievance Mechanism (OGM) fully aligned to the UN Principles of Business and Human Rights. The Kakuzi OGM is a systematic and transparent process for receiving, investigating, and addressing group-related grievances. Kakuzi’s OGM is called SIKIKA, which in Kiswahili means “be heard”.

The establishment of SIKIKA and the committees and guiding mechanisms surrounding it has been widely welcomed and endorsed by international and national institutions. We believe this is what progressive businesses need to do to strengthen their relationships with stakeholders and demonstrate our commitments to do the right thing.

Kakuzi was also the first agricultural counter player at the Nairobi Securities Exchange (NSE) to release its Environmental, Social, and Governance (ESG) report in December 2020. The latest Kakuzi ESG report aptly titled 'Future-proofing agriculture' confirms that, your group is an intergrated part of the surrounding community. The ESG report represents our holistic approach to measuring our Economic, Social and Environmental impact across our business.

Economic empowerment of smallholder avocado farmers has been a flagship project of Kakuzi for many years. Again this year, we were able to pay farmers who supplied this program the equivalent of 87% of the international net market price.

OPERATIONS

Throughout the year we continued to adhere to COVID-19 protocols with considerable expenditure on providing the correct safety measures in our work and living spaces.

Working closely with the Ministry of Health, our clinical service team provided over 4,000 vaccinations through our clinics to both employees and community members.

Logistics both nationally and internationally came under some strain. Still, due to the dedicated service of the Government Agencies involved in exporting fresh produce, the impact on our operations was not significant.

Good rainfall throughout the year allowed our 19 dams to fill providing us with adequate water resources. Our micro-jet irrigation systems now cover over 1,363 ha of avocado and macadamia orchards.

As our operations expand, we will continue recruiting and training more graduate managers. A key component of our operations is our Management Training (MT) program which aims to mentor and nurture University graduates to assume leadership positions in an equal opportunity environment. We have already advertised several management trainee opportunities this financial year with a positive response.

Within our revenue diversification strategy, we will continue to develop a range of additional value-added consumer products for the domestic and regional markets on a priority basis. Such products include a frozen blueberry range and consumer pack; high-quality roasted macadamia snacks to be sold in local supermarkets and greengrocery retail stores as we continue developing strategic partnerships.

CORPORATE SOCIAL INVESTMENT (CSI) AND SUSTAINABILITY

A firm commitment to our corporate citizenship role continues to find expression in our constructive engagement with various stakeholders, including our employees, workers union, local communities, avocado smallholder growers, National Government, County Government, civil society and international bodies. The overarching objective of these engagements is to ensure that we carry out our business ethically and sustainably.

To measure our progress against our environmental and social responsibilities, Kakuzi has focused on six of the United Nations Sustainable Development Goals (SDG's) which is well covered in our ESG report. Whilst we accept the importance of all seventeen SDG's we feel that these six best capture our operational needs and aspirations and those of our wider community.

An integral part of our sustainability initiatives is measuring our carbon footprint to monitor and control our carbon emissions. We have now done this for the last three years and this will inform our environmental interventions as we advance.

Our health care services team, working closely with the Muranga County Ministry of Health to support our employees and the community, shifted their COVID-19 response to an aggressive vaccination drive.

The foregoing notwithstanding, we continued to provide other COVID-19 preventive measures, especially for schools. We provided handwashing tanks, reusable facemasks, and desks to 113 community schools benefitting approximately 10,000 learners.

CORPORATE SOCIAL INVESTMENT (CSI) AND SUSTAINABILITY (continued)

Tabasamu, our menstrual hygiene program, continues to be an integral part of our health promotion services. It provides reproductive health interventions, including menstrual health awareness. It provides sanitary towels to female employees and the adolescent girls within our immediate community as well as surrounding schools through a partnership with local community-based organisations. We supported over 2,000 employees and school girls with sanitary products.

To realise these objectives, the engagement is facilitated by a dedicated corporate affairs team, including a full-time community relations manager and bolstered by three community liaison officers. Areas of attention include but are not limited to employee welfare, employee terms and conditions of work, economic empowerment to local communities, National and County Government legislation. This stakeholder engagement process is active and ongoing.

STRATEGIC GOALS & DEVELOPMENTS

The continued expansion of both our avocado and macadamia production is in full swing. By the end of 2021, our avocado and macadamia orchards covered 927 ha and 1,032 ha respectively. In 2022 a further 60 ha of avocados and 100 ha of macadamias will be established. We anticipate that by 2026 all the land previously under pineapple production will have been converted to these two crops.

The increased demand for super foods regionally and domestically has also provided new opportunities to develop diverse consumer product ranges, including uplifting the quality and value of our sustainably-grown timber products.

Albeit small, we embarked on a dedicated goat meat production venture, and we anticipate sales to begin in the second quarter of 2022. This venture aims to provide quality traceable goat meat for the HORECA markets.

We are committed to delivering against the revenue diversification strategy that is anchored on a value addition foundation. This will remain a primary focus for the group in the coming years, and we are actively exploring pipeline opportunities as part of our agribusiness strategic goals.

As we reported last year, the income diversification strategy shows positive results.

INNOVATION

Within the last financial year, Kakuzi maintained its innovation streak, successfully managing to unveil an online Agricultural extension training platform. Our online avocado farmers academy 'Avocademy' and YouTube training videos have proven to be a great success in training farmers in avocado growing techniques. Our economic empowerment initiatives to provide farmers with the international market price for their fruit will continue to be part of strategic plans in future years. Only by empowering farmers in this manner will they fully reap the benefits of avocado agribusiness.

The fact is that access to traditional markets is becoming complex and is now more than ever a requirement that we demonstrate that Produce of Kenya fruit meets all the required criteria, including quality, traceability, and sustainability. We leave our farmers with limited marketing options if we do not teach them how to grow fruits properly for valuable export markets. This is also not economically sustainable.

As part of our farmers development programs Kakuzi has continued to provide free avocado maturity testing services during the harvesting seasons. The services ensure compliance with quality standards and enhance the value of Kenyan fruit in the global market. Export of immature fruit is detrimental to our collective interests as it erodes our national branding for fruit bearing the Produce of Kenya label.

STAFF

As a Board, we would like to express our sincere gratitude to all our employees. The well-being of our staff through the COVID-19 pandemic has been paramount to us. With the support of everyone, we have been able to continue our operations and keep each other safe. By following the correct COVID-19 protocols, we have also been able to maintain our training and staff development programmes which are critical to the successful running of the Group. Still, it is essential to note the vital role our front line clinical service team has played in ensuring that our employees are kept as safe as they possibly could from COVID-19.

LOOKING AHEAD

The likelihood is that we will be living with COVID-19 for some time to come, and indeed, its impacts on crucial parts of the supply and logistic chain remain unknown. Therefore, we stay focused on conducting our business operations in a professional, transparent and respectful manner to deliver a quality and sustainably grown product range for domestic and international consumption under any weather or related risk.

NICHOLAS NG'ANG'A
CHAIRMAN

22 March 2022

The Directors submit their report together with the audited Financial Statements for the year ended 31 December 2021, which disclose the state of affairs of Kakuzi Plc (the "Group and the Company"). The annual report and financial statements have been prepared in accordance with the Kenyan Companies Act, 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise:

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

The two subsidiary companies are dormant.

BUSINESS REVIEW

A review of the business of the Group is incorporated within the Chairman's statement on pages 6 to 10.

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 319,736,000 (2020: Shs 622,034,000) has been added to retained earnings. The Directors recommend the approval of a first and final dividend of Shs 22.00 (2020: Shs 18.00) per ordinary share.

The results for the year are set out on pages 35 to 92 in the attached Financial Statements.

ANNUAL GENERAL MEETING

The Ninety Fourth Annual General Meeting of the Company will be held via electronic means on Tuesday, 17th May 2022 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 2021		At 31 December 2020	
	Beneficial Ordinary shares	Non-Beneficial Ordinary shares	Beneficial Ordinary shares	Non-beneficial Ordinary shares
Mr. G H Mclean	100	-	100	-
Mr. C J Flowers	-	-	-	-
Mr. K R Shah	200	-	200	-
Mr. N Ng'ang'a	1,000	-	1,000	-
Mr. D M Ndonye	-	-	-	-
Mr. S N Waruhiu	-	-	-	-
Mr. A N Njoroge	-	-	-	-
Dr J K Kimani	6,338,099	-	6,330,699	-

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

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

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

BY ORDER OF THE BOARD

K R SHAH
DIRECTOR

22 March 2022

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

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

i. Designing, implementing and maintaining such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
ii. Selecting suitable accounting policies and then apply them consistently; and
iii. Making judgements and accounting estimates that are reasonable in the circumstances

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

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

Approved by the Board of Directors on 22 March 2022 and signed on its behalf by:

K R SHAH **DIRECTOR**	**C J FLOWERS** **DIRECTOR**

Overview of the Corporate Governance Framework

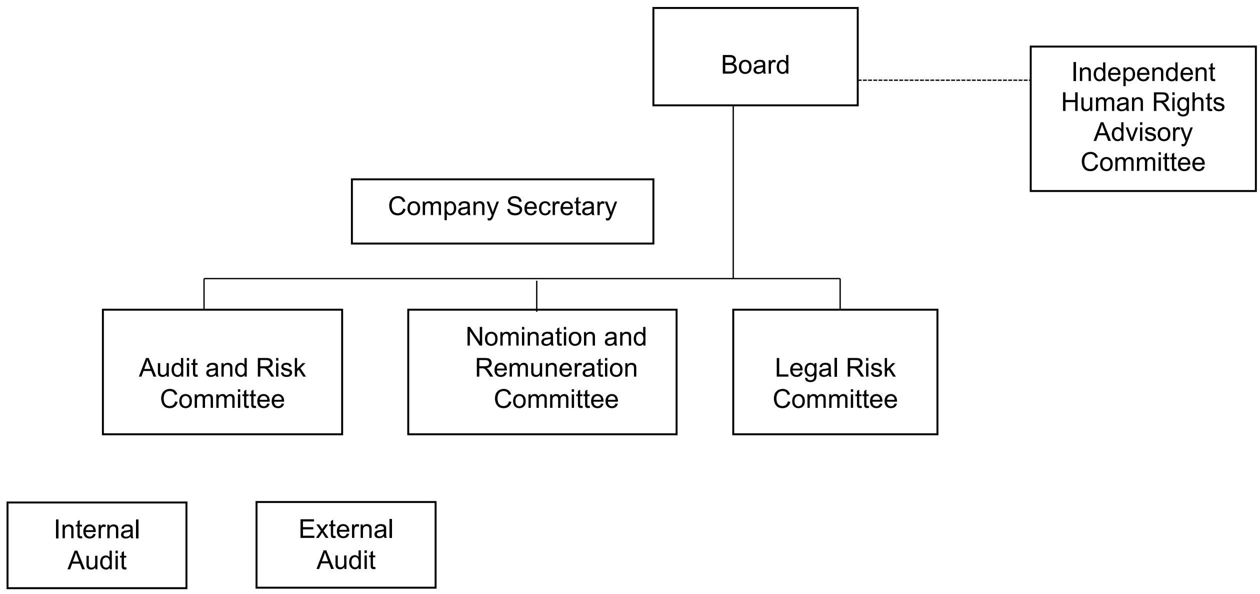
The Board is committed to ensuring that the business is run in a professional, transparent, just and equitable manner to protect and enhance shareholder value and satisfy the interests of our stakeholders. The principles and standards adhered to by the Board have been developed with close reference to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

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

This Corporate Governance Statement is current as at 31 December 2021 and has been approved by the Board of Directors.

Governance Framework

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



Board composition, size and independence

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

The Board currently comprises of eight Directors, three of whom are independent non-executive Directors. Of the remaining Directors, two are executive, and three are non-executive, including a non-executive Chairman. The independent and other non-executive Directors constitute over two-thirds of the Board. The Directors' abridged biographies appear on the Group's website, and the names of the Directors are listed on page 3 of this Annual Report. (https://www.kakuzi.co.ke/management).

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

Based on the size, complexity and governance needs of the Group, the current Board size is under review and an increase by one more member will be considered at the Annual General Meeting. The size of the Board has conformed to the applicable legal and regulatory frameworks.

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

Board Diversity

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

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

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

Board Independence

The Board has documented in their Board Charter the criteria for determining the independence status of the members of the Board of Directors. During the year under review there were three independent non-executive Directors, however, towards the end of the year (November 2021) two of the directors (Mr D M Ndonye and Mr S Waruhiu) attained 9 years of service as directors since their appointment which is the maximum term limit for a director to remain independent. Notwithstanding their long term service, given their extensive business experience and not being connected with any director or substantial shareholder of the Group, the Board is of the opinion that they continue to be independent as the Board reviews the way forward.

Board Independence (continued)

The non-executive Directors who are six in total are also independent of management and have separate and independent access to the senior management and the Company Secretary at all times. Day-to-day operation of the businesses of the Group is delegated to the management. They are being 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.

Board appointment and re-appointment

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

All the Directors, excluding the Managing Director, are subject to retirement by rotation and must seek re-election by shareholders at least once every three years in accordance with the Articles of Association. During the 2021 Annual General Meeting Mr. Nicholas Nganga, Mr Andrew Njoroge and Dr John Kimani offered themselves up for re-election and were re-elected.

Any Director appointed to fill a casual vacancy on the Board or as an addition to the existing Board who is appointed during the year is required to retire and seek re-election at the next Annual General Meeting. Dr John Kibunga Kimani who was appointed effective 1 November 2020 also retired by rotation and was re-appointed at the last Annual General Meeting with the shareholders' approval in line with the Articles 27 and 28 of the Company's Articles of Association.

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

The following changes occurred in the year under review:-

- Independent Human Rights Advisory Committee (IHRAC) members appointment
- Renaming of the Litigation Committee to Legal Risk Committee

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

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

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

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

Chairman

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

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

Managing Director

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

Company Secretary

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

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

Roles and Functions of the Board

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

Matters reserved for the Board include;

- Strategy
- Acquisitions and disposals
- Financial reporting and control
- Internal controls

Roles and Functions of the Board (Continued)

Matters reserved for the Board include; (continued)

- Approval of expenditure above specified limits
- Approval of transactions and contracts above specified limits
- Responsibilities for corporate governance
- Board membership and committees
- Approval of changes to capital structure
- Debt financing

Board Meetings

The Board has in place an annual work plan that sets out the scheduled Board meetings. The Board and its Committees meet regularly in accordance with business requirements. The Board and Board Committee meetings, workshops and meetings with management, were mainly conducted virtually in 2021 in response to COVID-19 restrictions.

The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. Seven (7) Board meetings were held during the year 2021.

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

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

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

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

- Updates on the Group's strategic plan
- Managing Director's Report which includes review reports on progress against financial objectives, business developments, as well as investor and external relations, on the environment, performance and updates on the strategic initiatives.
- Share transactions and top shareholders
- Board Committees Reports
- Quarterly Corporate Social Responsibility reports
- Semi Annual Anti-Bribery Report
- 2022 Budget approval
- Board Evaluation Report
- Training needs review and report
- Operational Grievance Mechanism and report
- Human Rights Impact Assessment report
- Public Relations report
- Corporate Governance matters such as review and approval of the updated board charter, insider trading policies and approval of the 2021 governance auditor.

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

Board Meetings (Continued)

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

2021 BOARD & BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Classification	Designation		Board	Audit and Risk	Nomination and Remuneration	Legal risk	IHRA *
Mr Nicholas Ng'ang'a	Non-Executive	Chairman of the Board	Membership	✓				
			Attendance	7/7	2/2	1/4		
Mr Christopher Flowers	Executive	Managing Director	Membership	✓		✓		
			Attendance	7/7	2/2	3/4	3/3	
Mr Graham Mclean	Non-Executive		Membership	✓				
			Attendance	7/7	2/2	2/4		
Mr Daniel Ndonye	Non-Executive	Chairman of the Audit and Risk Committee	Membership	✓	✓			
			Attendance	7/7	2/2	2/4		
Mr Stephen Waruhiu	Non-Executive	Chairman of the Nomination and Remuneration Committee	Membership	✓	✓	✓	✓	
			Attendance	7/7	2/2	4/4	3/3	
Mr Andrew Njoroge	Non-Executive	Chairman of the Legal Risk Committee	Membership	✓	✓	✓	✓	✓
			Attendance	7/7	2/2	4/4	3/3	2/2
Dr John K Kimani	Non-Executive		Membership	✓				
			Attendance	7/7	2/2	2/4		
Mr Ketan Shah	Executive	Finance Director	Membership	✓				
			Attendance	7/7	2/2	2/4		

Advisors	Classification	Designation		Board	Audit and Risk	Nomination and Remuneration	Legal risk	IHRA *
Professor Githu Muigai	Independent Advisor	Chairman of the IHRA* Committee	Membership					✓
			Attendance					2/2
Grace Madoka	Independent Advisor		Membership					✓
			Attendance					2/2
Dr Brenda Achieng	Independent Advisor		Membership					✓
			Attendance					2/2
Gina Din Kariuki	Independent Advisor		Membership					✓
			Attendance					1/2

✓ Member of the respective committee

- Where a Director has missed a Board or Board Committee meeting, an acceptable apology had been received by the Chairman well in advance of the scheduled meeting.
- The Managing Director and Finance Director are not members of the Audit and Risk Committee but attend by invitation

* IHRA – Independent Human Rights Advisory

Director Access to Management and Independent Advisors

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

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

- Oxygene as the Public Relations Consultant.
- IBIS conducted a Human Rights Impact Assessment.
- Triple R Alliance advised on the setting up of the Operational-level Grievance Mechanism (SIKIKA)

Directors' external activities and Conflicts of Interest

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

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

Board Policies and Processes

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

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

Board Charter

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

The purpose of the Board Charter is to promote the highest standards of Corporate Governance and to set out the role, composition and responsibilities of the Board of Directors. The Board Charter serves not only as a reminder of the Board's roles and responsibilities but also as a general statement of intent and expectation as to how the Board discharges its duties and responsibilities. The Board Charter which is in 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/management).

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 (https://www.kakuzi.co.ke/management).

Code of Conduct & Ethics (continued)

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

The Company launched its second ESG report at the Nairobi Securities Exchange in December 2021. This report covers the key commitments the Company is making to UN SDG’s, the UN Guiding Principles on Business and Human Rights and highlighting the work being undertaken in key Corporate Social Investment areas https://www.kakuzi.co.ke/pages/f2cd2b36-26b1-455c-812f-16ae9c139afa/articles/f2cd2b36-26b1-455c-812f-16ae9c139afa.pdf.

Insider Trading

Internal policy and various laws, regulations and guidelines that regulate the Group’s businesses prohibit Directors and employees from dealing in the Group's securities when they have price-sensitive information that is not generally available to the market. Information is considered to be "nonpublic" unless it has been publicly disclosed, and adequate time has passed for the securities markets to digest the information. The staff are required to adhere to the internal policy on permissible trading activity.

In every meeting held in 2021, 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 internal policy the Board notifies the Capital Markets Authority.

Related Party Transactions

The Group recognizes that related party transactions arise where there is a relationship by virtue of shareholding, common shareholding or key management personnel directorship. The Group Transfer Pricing policy gives guidance on related party transactions, which are carried out using the arm’s length principle. All transactions with related parties are disclosed in note 27 to the financial statements.

Whistle blowing policy

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

Procurement policy

The purpose Group’s Procurement Policy which is on the website (https://www.kakuzi.co.ke/2cf6-corporate-governance). is to ensure fairness and transparency in the process of procurement and awarding of tenders, as far as possible with the ultimate objectives of procuring the required quantity/quality of goods or service at the most competitive price. The policy gives guidance on the principles and tender procedures. In addition, a Management Tender Committee oversees the award of tenders.

ICT policy

The Group has deployed a number of Information Technology (IT) systems and infrastructures for its various activities and leverages on the systems to achieve its objectives. Appropriate policies are in place to ensure that systems run smoothly and provide the necessary support to the Group. An IT/Security policy administered by the IT Manager is in place. It provides guidelines on proper utilisation and safeguarding of Computer hardware, system, application and proprietary software and communications infrastructure whether wired or wireless as well as provision of adequate protection and confidentiality of all corporate data. During the lockdown period due to COVID-19 pandemic the Group ensured business continuity through remote access of company servers to its staff.

Corporate Social Responsibility (CSR)

The Group has put in place a CSR policy to guide the CSR 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 coexists 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 CSR Committee reports to the board on a quarterly basis detailing the projects and initiatives taken each quarter. A highlight of these is contained within the Companies ESG report and on the Company's web site.

Operational policies

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

Board Committees

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

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

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

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

Board Committees (continued)

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 19.

Committees	Members	Major Functions	Key deliberations during FY2021
Audit and Risk Committee	• Mr. Daniel M Ndonye (Chairperson) • Mr. Stephen Waruhiu • Mr. Andrew Ndegwa All the members of the Audit & Risk Committee have the relevant qualifications and expertise in audit, financial management and accounting.	• to monitor the financial reporting process of the Group • to review the Group's financial control, internal control and risk management systems and arrangements under the Group's whistleblowing policy • to review the effectiveness of internal audit activities carried out by the Group's audit function and senior management • to govern the engagement of external auditor and its performance • to review non-audit services provided by the external auditors.	• review of external auditors 2020 audit findings report • review of financial report for the year ended 31 December 2020 • review of the internal audit reports • review of the risk map update reports • review of the external auditors service plan for 2021 • review of dividend and press announcement of interim and year-end financial results
Nomination and Remuneration Committee	• Mr.Stephen Waruhiu (Chairperson) • Mr. Andrew Ndegwa • Mr. Christopher Flowers	• to review the structure, size and composition (including the skills, knowledge and experience) of the Board • annual review of the term limits and independence of the individual directors. • Board evaluation • induction and continuing professional development • review of the committee's terms of reference • to oversee the Board's succession planning requirements and identify qualified individuals and to make recommendations to the Board on the appointment or re-appointment of directors • to review and recommend to the Board on the Group's policy and structure for remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration	• reviewing the remuneration policy, structure and packages for directors and senior management • making recommendations to the Board regarding the directors' fee and other allowances for FY2021 and the remuneration packages of executive directors • board evaluation facilitation • training needs review for the year 2021 • employee satisfaction survey review

Board Committees (continued)

Committees	Members	Major Functions	Key deliberations during FY2021
Legal Risk Committee	• Mr. Andrew Ndegwa (Chairperson) • Mr. Stephen Waruhiu	• to understand the nature of any legal claim or process with Management and appraise the board on the same • to review any material breaches of policy which may expose the Group to a legal risk and advise on adequacy of the proposed remedial action • to be an integral part of the Group's Operational-level Grievance Mechanisms and act as a link between the OGM panel and the board • to understand advise the Board on any future legal risk mitigation strategy • to review the Group legal audit and advise the Board on the findings, non-compliances and required action plan to remedy such non-compliance	• review of the IHRAC Committee members and recommendation to the board on the same • review of the committee TORs • oversaw the Group's dispute resolution mechanisms and any resulting claims and legal proceedings and appraised the board on the progress. • ensured implementation of the Operational-Level Grievance Mechanism (OGM) as approved by the Board.
Independent Human Rights Advisory Committee	• Professor Githu Muigai (Chairperson) • Grace Madoka • Dr Brenda Achieng • Andrew Ndegwa • Gina Din Kariuki In addition, the committee has access to Lady Justice – Violet Mavisi an Independent Senior Lawyer.	• identifying Human Rights risks to which the Group is exposed and recommend to the Board measures to mitigate these risks, set goals and evaluate results • reviewing Human rights matters raised with the Group to be handled in accordance with the Group Human Rights policies • Advise the Board on best practices	• review of the committee TORs • facilitation of the Operational-level Grievance Mechanism

Board Evaluation

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

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

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

Board Evaluation (continued)

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

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

Board Induction and Continuous Professional Development

The Nomination and Remuneration Committee is responsible for induction and continuing professional development programs for directors to develop and maintain the skills and knowledge needed to perform their role effectively. Newly appointed directors are provided with orientation immediately upon his/her appointment. They are also provided with information about the role of the Board, each board Committee and the powers delegated to these Committees and formal introduction to senior management. In the year 2021, there were no new Directors appointed to the Board.

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

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

The Board in their meeting on 18 May 2021 approved the training of Directors for 2021 which was conducted by external consultants. The training took 12 hours and covered the following topics:

- Corporate Governance Requirements for Listed Companies
- Directors duties under the Companies Act and capital markets legislation and Kakuzi's existing policies
- Managing Conflict
- Insider Trading and Data Protection
- Anti-Money Laundering (AML),
- Anti-Bribery and Corruption (ABC)
- Risk Management
- International standards and international best practices
- Whistleblowing
- The increased importance of Environmental Social and Corporate Governance considerations (ESG) in the post-COVID 19 world.
- Business sustainability as a function of the board and corporate governance tools to ensure sustainable and long term planning

Board Remuneration

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

The remuneration Policy sets guidelines and criteria for the Board's compensation, attraction and retention of Directors. The Directors' remuneration policy and report, including details of their compensation appears on page 30.

Other Directorships

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

Shareholding

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

Directors interest in the share capital of the Company and the top ten shareholders are listed in the Report of the Directors on page 12 and page 94 respectively of this Annual report.

Governance Audit

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

In line with the CMA Code, a governance audit has been conducted on the Group for the year ending 31 December 2021 and the report on the Governance auditor is on page 29.

Legal and Compliance Audit

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

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, an internal legal and compliance audit was carried out for the year ended 31 December 2021 with the objective of ascertaining the level of adherence to applicable laws, regulations and standards. The findings from the audit which were presented to the Legal Risk Committee confirmed that the Group was generally in compliance with applicable laws and regulations.

Shareholders Relations and Stakeholder Engagement

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

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

Shareholders Relations and Stakeholder Engagement (continued)

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

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

Operational-Level Grievance Mechanism (SIKIKA)

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

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

Annual General Meetings (AGM)

Due to the COVID-19 pandemic and in line with the COVID restrictions, the Group decided in the interests of the health and safety of shareholders, staff and other stakeholders, to hold the 2021 AGM virtually. Shareholders were provided with various alternatives to participate in the AGM and were given the right to ask questions and participate in AGM and to vote for the resolutions.

During the last AGM held on 18 May 2021, the shareholders approved the financial statements for 2021, Dividend, Directors' Remuneration Report, re-election of Directors, re-election of the members of the Audit and Risk Committee, re-appointment of Messrs Deloitte & Touche LLP as Auditors.

Directors' Responsibilities for Financial Reporting and Disclosures

The Group has maintained timely balanced disclosure of all material information concerning the Group. The Group publishes on its website (https://www.kakuzi.co.ke/news) key Group information including but not limited to; Annual reports, ESG reports, financial statements, changes in board composition, Group Notices and AGM materials, Group Board Charter, Group policies such as the code of ethics, human rights policy, whistleblowing policy among others.

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

A statement of the Directors' responsibilities in respect of the Annual Report and financial statements is set out on page 13 of the Annual Report. A statement on going concern is also given within the statement of corporate governance on page 28 of the Annual Report.

Internal Controls and Risk Management Systems

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

Internal Controls and Risk Management Systems (continued)

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

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

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

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

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

External Auditor

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

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

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

The External Auditors attended the two meetings of the Audit and Risk Committee, one to present their 2020 Audit findings report and the second one to present their audit service plan for the year ended 31 December 2021.

Going Concern

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

BY ORDER OF THE BOARD

K R SHAH	**C J FLOWERS**
22 March 2022	22 March 2022

REPORT OF THE GOVERNANCE AUDITOR'S 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 2021 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 Company. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of The Company. 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 Company 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 organizations' 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 Company 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

22 March 2022

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

Nomination & Remuneration Committee

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

Policy on Directors Remuneration

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

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

Service Contracts

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

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

Directors' Remuneration

The following section has been audited:

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

	2021 Shs'000	2020 Shs'000
Managing Director (Mr C J Flowers)	12,001	11,535
Finance Director (Mr K R Shah)	16,656	17,049
	28,657	28,584

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

	2021 Directors' Fees Shs'000	2020 Directors' Fees Shs'000	2021 Benefits in kind Shs'000	2020 Benefits in kind Shs'000	2021 Total Shs'000	2020 Total Shs'000
Non-Executive						
Mr G H Mclean	2,749	2,068	-	-	2,749	2,068
Mr N Ng'ang'a	5,716	2,767	99	89	5,815	2,856
Mr D M Ndonye	2,987	2,052	99	89	3,086	2,141
Mr S N Waruhiu	5,689	2,020	99	89	5,788	2,109
Mr A N Njoroge	7,235	2,353	99	89	7,334	2,442
Mr J K Kimani	2,749	269	99	7	2,848	276
Mr K W Tarplee	-	-	-	25	-	25
	27,125	11,529	495	388	27,620	11,917

BY ORDER OF THE BOARD

K R SHAH

22 March 2022

C J FLOWERS

22 March 2022

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Independent auditors' report
To the shareholders of Kakuzi Plc

Report on the audit of the consolidated and separate financial statements

Our Opinion

We have audited the consolidated and separate financial statements of Kakuzi Plc ("the Group") set out on pages 35 to 92, which comprise the consolidated and separate statements of financial position at 31 December 2021 and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of financial position of the Group and the Company as at 31 December 2021 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

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

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

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

Key Audit Matter

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

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Measurement of biological assets (in the consolidated and separate financial statements) The measurement of biological assets at the end of year involves significant judgements and estimates by the Directors, which could have material impact on the financial position and the results of the Group and the Company. At the end of year, the carrying value of the biological assets amounted to Sh 1,148,447 (2020: Sh 1,092,933,0) as disclosed in Note 6 in the consolidated and separate financial statements. As discussed in Note 6 of the financial statements, biological assets comprise forestry plantations, livestock and growing agricultural produce on bearer plants, which are measured at fair value less costs to sell. The fair value models accrue the additional value related to the biological asset as biological transformation takes place rather than at the time of harvest. As disclosed in Note 3 (a) to the consolidated and separate financial statements, the key assumptions and estimates include expected yield, future market prices, costs to sell and the age and condition of the assets. The determination of these assumptions and estimates require careful judgment by the Directors and any uncertainty could lead to material adjustments to the consolidated and separate financial statements. 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.	We focused our attention on the significant assumptions, estimates and key judgments made by Directors and Group's management experts by performing the following: We assessed the competence and objectivity of the Group's management experts with the responsibility of determining the valuation of the biological assets. In addition, we discussed the scope of their work and reviewed the fair valuation models used for consistency and mathematical accuracy. We confirmed that the approach and model used has been consistently applied. We performed an analysis of the significant assumptions made in the valuation models and tested them against available market information. We subjected the key assumptions to sensitivity analysis. We assessed the reasonableness of the assumptions used in deriving the expected yield, the future market prices and cost to sell. In addition, we tested a selection of data inputs used against Directors' financial and operational information and external sources, to assess the accuracy, reliability and completeness thereof. We checked the consistency of application of the fair value approaches and models over the years. We evaluated the sufficiency and accuracy of the disclosures in the notes of the consolidated and separate financial statements. An independent valuer was involved in valuation of forestry and livestock. We validated the underlying data in respect of forestry acreage and age of plantations and livestock numbers and classifications used by the independent valuer to the Directors' operational independent information, including comparison with historical trends. We found that the models used for the valuation of the biological assets to be appropriate and reasonable. In addition, the disclosures in the consolidated and separate financial statements pertaining to the valuation and measurement of biological assets were found to be appropriate.

Other information

The Directors are responsible for the other information which comprises the Company Information, Notice of the Annual General Meeting, Minutes of the 93rd Annual General Meeting, Chairman's Statement, Report of the Directors, Statement of Directors' Responsibilities, Statement on Corporate Governance, Corporate Governance Auditors' Report, Directors' Remuneration Report, five year record and major shareholders and distribution schedule which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements, and our auditor's report thereon.

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

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

Other information (continued)

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

Responsibilities of the Directors and those charged with governance for the consolidated and separate financial statements

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

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

Auditor's Responsibilities for the Audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

  Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or company to cease to continue as going concerns.

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report of the Directors

In our opinion the information given in the Report of the Directors on pages 10 to 11 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 29 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
FCPA Anne Muraya, Practising certificate No. 1697

Anne Muraya

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

22 March 2022

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

	Notes	Year ended 31 December 2021 Shs'000	2020 Shs'000
Sales	5	3,296,414	3,608,941
Gains arising from changes in fair value less costs to sell of non-current biological assets	6(i)	138,121	57,813
		3,434,535	3,666,754
Cost of sales		(2,428,335)	(2,144,454)
Gross profit		1,006,200	1,522,300
Other income	7	45,369	96,912
Selling and Distribution costs		(660,169)	(851,348)
Operating profit		391,400	767,864
Interest income	8	80,189	79,701
Finance costs	8	(33)	(33)
Profit before income tax	5	471,556	847,532
Income tax expense	11(a)	(151,820)	(225,498)
Profit for the year		319,736	622,034
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit obligations (net of tax)	11(c)	6,038	490
Total comprehensive income for the year		325,774	622,524
Earnings per share (Shs):			
Basic and diluted earnings per ordinary share	12	16.31	31.74

The notes on pages 41 to 92 are an integral part of these consolidated and separate financial statements.

Consolidated statement of financial position

	Notes	31 December 2021 Shs'000	31 December 2020 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		37,991	31,953
Retained earnings		4,972,232	5,083,696
Proposed dividend	12(ii)	431,200	352,800
Total equity		5,539,423	5,566,449
Non current liabilities			
Deferred income tax	15	993,318	1,003,743
Post employment benefit obligations	16	77,312	76,354
Lease obligations	17	327	373
		1,070,957	1,080,470
Total equity and non current liabilities		6,610,380	6,646,919
Non current assets			
Property, plant and equipment	18	2,992,481	3,021,989
Biological assets	6(i)	793,684	728,163
Right of use assets	19	4,286	4,335
Financial assets held at amortised cost	21	100,000	200,000
Non current receivables	23	38,745	35,555
		3,929,196	3,990,042
Current assets			
Biological assets – growing agricultural produce	6(ii)	354,763	364,770
Inventories	22	504,423	435,016
Receivables and prepayments	23	342,870	427,200
Current tax recoverable	11(d)	-	19,664
Cash and cash equivalents	25	1,656,219	1,670,124
Financial assets held at amortised cost	21	100,000	-
		2,958,275	2,916,774
Current liabilities			
Payables and accrued expenses	24	227,494	226,607
Current tax payable	11(d)	9,901	-
Lease obligations	17	135	59
Post employment benefit obligations	16	39,561	33,231
		277,091	259,897
Net current assets		2,681,184	2,656,877
		6,610,380	6,646,919

The notes on pages 41 to 92 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 35 to 92 were approved for issue by the board of Directors on 22 March 2022 and signed on its behalf by:

K R SHAH
DIRECTOR

C J FLOWERS
DIRECTOR

Separate statement of financial position

	Notes	31 December 2021 Shs'000	31 December 2020 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		37,991	31,953
Retained earnings		4,968,091	5,079,555
Proposed dividend	12(ii)	431,200	352,800
Total equity		5,535,282	5,562,308
Non current liabilities			
Deferred income tax	15	993,318	1,003,743
Post employment benefit obligations	16	77,312	76,354
Lease obligations	17	327	373
		1,070,957	1,080,470
Total equity and non current liabilities		6,606,239	6,642,778
Non current assets			
Property, plant and equipment	18	2,992,481	3,021,989
Biological assets	6(i)	793,684	728,163
Right of use assets	19	4,286	4,335
Investment in subsidiaries	20	4,295	4,295
Financial assets held at amortised cost	21	100,000	200,000
Non current receivables	23	38,745	35,555
		3,933,491	3,994,337
Current assets			
Biological assets – growing agricultural produce	6(ii)	354,763	364,770
Inventories	22	504,423	435,016
Receivables and prepayments	23	342,870	427,200
Current tax recoverable	11(d)	-	19,611
Cash and cash equivalents	25	1,656,219	1,670,124
Financial assets held at amortised cost	21	100,000	-
		2,958,275	2,916,721
Current liabilities			
Payables and accrued expenses	24	235,877	234,990
Current tax payable	11(d)	9,954	-
Lease obligations	17	135	59
Post employment benefit obligations	16	39,561	33,231
		285,527	268,280
Net current assets		2,672,748	2,648,441
		6,606,239	6,642,778

The notes on pages 41 to 92 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 35 to 92 were approved for issue by the board of Directors on 22 March 2022 and signed on its behalf by:

K R SHAH
DIRECTOR

C J FLOWERS
DIRECTOR

Consolidated statement of changes in equity

Year ended 31 December 2021	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
At start of year	98,000	31,953	5,083,696	352,800	5,566,449
Total comprehensive income for the year:					
Profit for the year	-	-	319,736	-	319,736
Other comprehensive income	-	6,038	-	-	6,038
Total	-	6,038	319,736	-	325,774
Transactions with owners:					
Dividends:					
- Final paid for 2020	-	-	-	(352,800)	(352,800)
- Proposed for 2021	-	-	(431,200)	431,200	-
Total	-	-	(431,200)	78,400	(352,800)
At end of year	98,000	37,991	4,972,232	431,200	5,539,423
Year ended 31 December 2020					
At start of year	98,000	31,463	4,814,462	274,400	5,218,325
Total comprehensive income for the year:					
Profit for the year	-	-	622,034	-	622,034
Other comprehensive income	-	490	-	-	490
Total	-	490	622,034	-	622,524
Transactions with owners:					
Dividends:					
- Final paid for 2019	-	-	-	(274,400)	(274,400)
- Proposed for 2020	-	-	(352,800)	352,800	-
Total	-	-	(352,800)	78,400	(274,400)
At end of year	98,000	31,953	5,083,696	352,800	5,566,449

The notes on pages 41 to 92 are an integral part of these consolidated and separate financial statements.

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

Separate statement of changes in equity

	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
Year ended 31 December 2021					
At start of year	98,000	31,953	5,079,555	352,800	5,562,308
Total comprehensive income for the year:					
Profit for the year	-	-	319,736	-	319,736
Other comprehensive income	-	6,038	-	-	6,038
Total	-	6,038	319,736	-	325,774
Transactions with owners:					
Dividends:					
- Final paid for 2020	-	-	-	(352,800)	(352,800)
- Proposed for 2021	-	-	(431,200)	431,200	-
Total	-	-	(431,200)	78,400	(352,800)
At end of year	98,000	37,991	4,968,091	431,200	5,535,282
Year ended 31 December 2020					
At start of year	98,000	31,463	4,810,321	274,400	5,214,184
Total comprehensive income for the year:					
Profit for the year	-	-	622,034	-	622,034
Other comprehensive income	-	490	-	-	490
Total	-	490	622,034	-	622,524
Transactions with owners:					
Dividends:					
- Final paid for 2019	-	-	-	(274,400)	(274,400)
- Proposed for 2020	-	-	(352,800)	352,800	-
Total	-	-	(352,800)	78,400	(274,400)
At end of year	98,000	31,953	5,079,555	352,800	5,562,308

The notes on pages 41 to 92 are an integral part of these consolidated and separate financial statements.

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

Consolidated and separate statement of cash flows

	Notes	Year ended 31 December 2020 Shs'000	2020 Shs'000
Operating activities			
Cash generated from operations	26	611,875	670,704
Interest received	8	80,189	79,701
Income tax paid	11(d)	(135,268)	(209,150)
Net cash generated from operating activities		556,796	541,255
Investing activities			
Purchase of property, plant and equipment	18	(218,694)	(348,979)
Purchase and development of biological assets	6(i)	(17,305)	(17,439)
Proceeds from disposal of property, plant and equipment		2,103	8,212
Net cash used in investing activities		(233,896)	(358,206)
Financing activities			
Dividend paid		(352,800)	(274,400)
Lease payments	17	(3)	(13)
Net cash used in financing activities		(352,803)	(274,413)
Net decrease in cash and cash equivalents		(29,903)	(91,364)
Movement in cash and cash equivalents			
At start of year		1,670,124	1,696,130
Net decrease in cash and cash equivalents		(29,903)	(91,364)
Effect of exchange rate differences on cash and cash equivalents	7	15,998	65,358
At end of year	25	1,656,219	1,670,124

The notes on pages 41 to 92 are an integral part of these consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements

1 General information

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

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

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

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

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

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

2 Accounting policies

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

(a) Statement of compliance

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

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

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2021

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

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 2021 (continued)

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

Impact of the initial application of Interest Rate Benchmark Reform

In the prior year, the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7 came into effect. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

The Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments are not relevant to the Group.

Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendmends to IFRS 16

In the prior year, Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16 was amended. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

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

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease
- Impact on accounting for changes in lease payments applying the exemption

The amendments are not applicable to the Group in the current year.

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.

New and Amendments to standards	*Effective for annual periods beginning on or after*
Amendments to IAS 10 and IAS 28 – Sale contribution of assets between Investor and its Associate or Joint Venture	Yet to be set, however earlier application permitted
Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture	Annual periods beginning on or after 1 January 2022
IFRS 17 - insurance contracts	Annual periods beginning on or after 1 January 2023
Amendments to IAS 1 -Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023
Amendments to IFRS 3 - Reference to the Conceptual Framework	Annual periods beginning on or after 1 January 2022
Amendments to IFRS 16 - Property, Plant and Equipment – Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022
Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies	Annual periods beginning on or after 1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	Annual periods beginning on or after 1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023

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

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

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

Notes to the Consolidated and Separate Financial Statements (continued)

2 Accounting policies (continued)

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

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

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

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

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.
As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

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

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

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

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

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.
The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

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 3 business combinations – Reference to the Conceptual Framework

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

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

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

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

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

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

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

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 37 – Onerous Contracts—Cost of Fulfilling a Contract

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

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

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

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

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

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

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

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

Amendments to IAS 8—Definition of Accounting Estimates

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

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

- A change in accounting estimate that results from new information or new developments is not the correction of an error

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 8—Definition of Accounting Estimates (Continued)

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

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

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

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

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

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

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

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

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

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

(iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in the year ended 31 December 2021.

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

(i) 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.

(ii) 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.

(f) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the consolidated and separate financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenyan Shillings which is the consolidated and separate functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

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

(g) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at historical cost and subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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.

Notes to the Consolidated and Separate Financial Statements (continued)

2 Accounting policies (continued)

(g) Property, plant and equipment (continued)

On adoption of amended IAS16 issued in 2016 that became effective in January 2016, the fair value of existing bearer plants was derived as the cost, thereafter the cost of new bearer plants includes, cost of seedlings, plants and maintaining the bushes until when they become commercial viable.

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

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

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.

Notes to the Consolidated and Separate Financial Statements (continued)

2 Accounting policies (continued)

(h) Biological assets

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

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

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

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

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

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

Purchases and development of biological assets include cost of planting, breeding and upkeep until they mature.

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.

Notes to the Consolidated and Separate Financial Statements (continued)

2 Accounting policies (continued)

(i) Leases (continued)

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

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

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

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

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

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

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

The Group as lessor

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

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

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

(j) Inventories

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

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

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

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

Notes to the Consolidated and Separate Financial Statements (continued)

2 Accounting policies (continued)

(k) Payables

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

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

(l) Share capital

Ordinary shares are classified as equity.

(m) Cash and cash equivalents

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

(n) Financial instruments

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

Treasury bonds

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

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

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established using an Expected Credit Losses (“ECL”) model in line with the requirements of IFRS 9 as outlined in the next section below. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is charged to profit or loss.

Amortised cost and effective interest method

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

Impairment of financial assets

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

Notes to the Consolidated and Separate Financial Statements (continued)

2 Accounting policies (continued)

(n) Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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

(i) Significant increase in credit risk

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

(ii) Definition of default

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

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

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.

Notes to the Consolidated and Separate Financial Statements (continued)

2 Accounting policies (continued)

(n) Financial instruments (continued)

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

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

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

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

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

(o) Employee benefits

(i) Post employment benefits obligations

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

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

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

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

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

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

(ii) Other entitlements

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

Notes to the Consolidated and Separate Financial Statements (continued)

2 Accounting policies (continued)

(p) Current and deferred income tax

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

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

(q) Dividends

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

Notes to the Consolidated and Separate Financial Statements (continued)

2 Accounting policies (continued)

(r) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The following comparative figures and presentations has been made

- the presentation of the statement of consolidated and separate statement of profit or loss and other comprehensive income has been changed to present other income or expenses arising from net foreign exchange gains/losses on cash and cash equivalents as part of other income on Note 7 as opposed to them being presented together with interest income calculated based on effective interest rate method in accordance IAS 1.82(a) (as updated from 1 January 2018) explicitly requires that entities present a specific line called, "Interest revenue, calculated using the effective interest method" within their Revenue, implying that interest revenue calculated using the effective interest rate method (EIR) would now need to be differentiated from interest income calculated using other methods and presented separately.

The net exchange gains on foreign currency cash and cash equivalents have been reclassified from interest income to other income as follows:

2020 financial statements item:	**Shs'000**	**Change in presentation**
Other income as previously reported	31,554	
Net exchange gains on foreign currency cash and cash equivalents	65,358	Reclassified from interest income
Other income as restated	96,912	
Interest income as previously reported	145,059	
Net exchange gains on foreign currency cash and cash equivalents	(65,358)	Reclassified to other income
Interest income on short term bank deposits	54,701	Split between interest on short term deposits and infrastructure bonds
Interest income on infrastructure bonds	25,000	
Interest income as restated	79,701	

3 Critical accounting estimates, judgements and assumptions

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

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

(a) Critical accounting estimates and assumptions

(i) Useful life of bearer plants

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

(ii) Fair values of biological assets

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

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

Notes to the Consolidated and Separate Financial Statements (continued)

3 Critical accounting estimates, judgements and assumptions (continued)

(a) Critical accounting estimates and assumptions

(iii) Growing agricultural produce

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

- the biological transformation process of the growing agricultural produce will remain consistent to prior produce
- the market price will remain constant based on estimated future market prices
- the actual costs to sell will not change significantly from estimated costs
- exchange rate will remain constant based on forecast exchange rate.

(iv) Post-employment benefits obligations

Critical assumptions are made by the actuary in determining the present value of the service gratuities to non-management employees. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note 16.

(b) Key sources of estimation uncertainty

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

(i) Income taxes

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

(ii) Property, plant and equipment

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

(iii) Leases

Judgement is required in determination of the appropriate rate to discount the lease payments and the assessment of whether a right-of-use asset is impaired.

4 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, prices for its agricultural produce, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial and agricultural markets and seeks to minimise potential adverse effects on its financial performance, but the Group does not hedge any risks.

Notes to the Consolidated and Separate Financial Statements (continued)

4 Financial risk management objectives and policies (continued)

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

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

Market risk

(i) Foreign exchange risk

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

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

At 31 December 2021, if the Shilling was weaker/stronger by 5% (2020: 5%) against the US dollar with all other variables held constant, the Group and Company post tax profit would have been Shs 30,667,400 (2020: Shs 54,092,350) higher/lower mainly as a result of US dollar deposits and trade receivables.

At 31 December 2021 if the Shilling was weaker/stronger by 5% (2020: 5%) against the Euro with all other variables held constant, the Group and Company post tax profit would have been Shs 4,106,800 higher/lower (2020: Shs 36,550,50).

At 31 December 2021 if the Shilling was weaker/stronger by 5% (2020: 5%) against the Sterling Pound with all other variables held constant, the Group and Company post tax profit would have been Shs 1,143,800 higher/lower (2020: Shs 1,380,000).

At 31 December 2021 if the Shilling was weaker/stronger by 5% (2020: 5%) against the Australian Dollar with all other variables held constant, the Group and Company post tax profit would have been Shs 127,350 lower/ higher (2020: Shs 269,750).

Notes to the Consolidated and Separate Financial Statements (continued)

4 Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

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

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

	USD	EUR	STG	AUD	ZAR	Total in Shs'000
Closing rate as at 31 Dec 2020 (to Kenya Shillings)	109.20	133.61	149.27	84.27	7.43	
Cash and bank balances	910,114	715,880	36,787	-	-	1,662,781
Trade and other receivables	191,726	30,642	-	-	-	222,368
Total financial assets	1,101,840	746,522	36,787	-	-	1,885,149
Trade and other payables	19,993	15,521	-	5,395	-	40,909
Total financial liabilities	19,993	15,521	-	5,395	-	40,909

(ii) Interest rate risk

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

(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 2021, profit after tax would have been Shs 153,795,000 (2020: Shs 196,803,000) higher/(lower).

Notes to the Consolidated and Separate Financial Statements (continued)

4 Financial risk management objectives and policies (continued)

Market risk (continued)

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 2021 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 37,050,000 (2020: Shs 34,238,000) in respect of staff loans amounting to Shs 37,050,000 (2020: Shs 34,238,000) 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 recoverable to have low credit and uses external ratings to check if there is increased risk on those assets.

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

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

Notes to the Consolidated and Separate Financial Statements (continued)

4 Financial risk management objectives and policies (continued)

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:

31/12/2021	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)	71,572	(5,324)	66,248
Related companies	23	N/A	Performing	Lifetime ECL (simplified approach)	98,095	-	98,095
Staff debtors	23	N/A	Performing	Lifetime ECL (simplified approach)	39,011	-	39,011
Cash at bank		B	Performing	12-month ECL	1,655,845	-	1,655,845
Financial assets held at amortized cost	21	B2	N/A	12-month ECL	200,000	-	200,000
					2,064,548	(5,324)	2,059,224

31/12/2020	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)	251,981	(5,324)	246,657
Related companies	23	N/A	Performing	Lifetime ECL (simplified approach)	49,814	-	49,814
Staff debtors	23	N/A	Performing	Lifetime ECL (simplified approach)	35,264	-	35,264
Cash at bank		B	Performing	12-month ECL	1,669,662	-	1,669,66 2
Financial assets held at amortized cost	21	B2	N/A	12-month ECL	200,000	-	200,000
					2,206,721	(5,324)	2,201,397

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)

Liquidity risk (continued)

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

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
At 31 December 2021:				
- Trade and other payables	227,494	-	-	-
- Lease liability	135	24	23	280
	227,629	24	23	280
At 31 December 2020:				
- Trade and other payables	226,607	-	-	-
- Lease liability	59	26	24	323
	226,666	26	24	323

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
At 31 December 2021:				
- Trade and other payables	235,877	-	-	-
- Lease liability	135	24	23	280
	236,012	24	23	280
At 31 December 2020:				
- Trade and other payables	234,990	-	-	-
- Lease liability	59	26	24	323
	235,049	26	24	323

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

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

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

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

Segment assets consist primarily of property, plant and equipment, biological assets, inventories, receivables and prepayments. Unallocated assets are cash, financial assets, property, plant and equipment, and inventories relating to Main Office and Engineering Stores. Segmental liabilities consist primarily of payables and accrued expenses. Unallocated liabilities are taxes, payables, accrued expenses and non-current liabilities. The segment information for the reportable segments for the year ended 31 December 2021 and 31 December 2020 is as follows:

	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Tea		Avocados		Macadamia		Forestry		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Sales												
Sales to external customers	260,396	245,801	1,675,949	2,311,063	886,422	654,791	302,438	272,975	146,214	110,843	3,271,419	3,595,473
Intersegmental Sales	-	-	-	-	-	-	24,995	13,468	-	-	24,995	13,468
Total Sales	260,396	245,801	1,675,949	2,311,063	886,422	654,791	327,433	286,443	146,214	110,843	3,296,414	3,608,941
Comprising												
Major external customers sales	260,396	245,801	1,597,572	2,210,502	23,987	629,269	-	-	3,534	-	1,885,489	3,085,572
All other external customers sales	-	-	78,377	100,561	862,435	25,522	302,438	286,443	142,680	110,843	1,385,930	509,901
Intersegmental Sales	-	-	-	-	-	-	24,995	13,468	-	-	24,995	13,468
	260,396	245,801	1,675,949	2,311,063	886,422	654,791	327,433	286,443	146,214	110,843	3,296,414	3,608,941
Geographical analysis												
UK & Continental Europe	-	-	1,597,572	2,210,502	-	-	-	-	-	-	1,597,572	2,210,502
Kenya	260,396	245,801	78,377	100,561	23,987	25,522	327,433	286,443	142,680	110,843	832,873	769,170
Others	-	-	-	-	862,435	629,269	-	-	3,534	-	865,969	629,269
	260,396	245,801	1,675,949	2,311,063	886,422	654,791	327,433	286,443	146,214	110,843	3,296,414	3,608,941

Notes to the Consolidated and Separate Financial Statements (continued)

5 Segmental reporting - Group (continued)

	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Tea		Avocados		Macadamia		Forestry		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss)												
Gross profit /(loss) before depreciation and fair value changes in non-current biological assets and intersegmental purchases	31,521	(16,937)	987,258	1,712,061	550,227	506,788	120,288	77,962	(47,329)	(63,341)	1,641,965	2,216,533
Intersegmental (purchases)/sales	-	-	(24,995)	(13,468)	-	-	24,995	13,468	-	-	-	-
Depreciation charge	(15,216)	(14,945)	(103,661)	(99,003)	(83,817)	(75,028)	(4,733)	(4,824)	(40,092)	(40,170)	(247,519)	(233,970)
Changes in fair value of non-current biological assets	-	-	-	-	-	-	72,280	22,100	65,841	35,713	138,121	57,813
Gross profit/(loss)	16,305	(31,882)	858,602	1,599,590	466,410	431,760	212,830	108,706	(21,580)	(67,798)	1,532,567	2,040,376
Selling and distribution costs	-	-	(607,401)	(831,840)	(51,130)	(19,249)	-	-	(1,638)	(259)	(660,169)	(851,348)
Segment profit/(loss)	16,305	(31,882)	251,201	767,750	415,280	412,511	212,830	108,706	(23,218)	(68,057)	872,398	1,189,028
Other income	5,622	5,889	-	-	-	-	-	-	39,747	91,023	45,369	96,912
Interest income	-	-	-	-	-	-	-	-	80,189	79,701	80,189	79,701
Finance costs	-	-	-	-	-	-	-	-	(33)	(33)	(33)	(33)
Unallocated admin expenditure	-	-	-	-	-	-	-	-	(526,367)	(518,076)	(526,367)	(518,076)
Profit/(loss) before income tax	21,927	(25,993)	251,201	767,750	415,280	412,511	212,830	108,706	(429,682)	(415,442)	471,556	847,532
Income tax (expense)/credit	(7,059)	6,915	(80,876)	(207,811)	(133,702)	(106,334)	(68,521)	(28,923)	138,338	110,655	(151,820)	(225,498)
Profit/(loss) for the year	14,868	(19,078)	170,325	559,939	281,578	306,177	144,309	79,783	(291,344)	(304,787)	319,736	622,034
Assets (all located in Kenya)												
Segment assets	1,010,704	966,025	1,525,299	1,504,886	1,629,193	1,703,236	808,051	758,948	529,560	567,774	5,502,807	5,500,869
Unallocated assets											1,384,664	1,405,947
											6,887,471	6,906,816
Liabilities												
Segment liabilities	40,583	53,122	-	-	-	-	-	-	-	-	40,583	53,122
Unallocated liabilities											1,307,465	1,287,245
											1,348,048	1,340,367
Additions												
Property, plant and equipment	4,188	7,749	100,152	169,353	73,239	98,617	16,355	601	24,760	72,659	218,694	348,979
Biological assets	-	-	-	-	-	-	16,865	17,439	440	-	17,305	17,439
	4,188	7,749	100,152	169,353	73,239	98,617	33,220	18,040	25,200	72,659	235,999	366,418

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' above is trading with smallholders and outgrowers as follows:

		2021 Shs'000		2020 Shs'000
Number of cartons exported		94,064		152,202
Number of cartons sold		94,064		154,858
Gross Export sales		77,844		132,709
Selling and distribution costs		(33,103)		(55,716)
Net Export sales		44,741		76,993
Local sales		3,567		9,254
Packing expenses		(12,246)		(17,874)
Net return		36,062		68,373
Paid to smallholders and outgrowers	(87%)	**(31,471)**	(85%)	**(57,948)**
Trading profit		4,591		10,425
Extension services expenses		(2,278)		(5,071)
Profit before income tax		2,313		5,354

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	Plantation Shs'000	Total Shs'000
Year ended 31 December 2021			
At start of year	145,664	582,499	728,163
Increase due to purchases and development	440	16,865	17,305
Gains arising from changes in fair value less costs to sell due to physical change and price changes	65,841	72,280	138,121
Decrease due to harvest and sales	(55,261)	(34,644)	(89,905)
At end of year	156,684	637,000	793,684
Year ended 31 December 2020			
At start of year	145,076	570,300	715,376
Increase due to purchases and development	-	17,439	17,439
Gains arising from changes in fair value less costs to sell due to physical change and price changes	35,713	22,100	57,813
Decrease due to harvest and sales	(35,125)	(27,340)	(62,465)
At end of year	145,664	582,499	728,163

Plantations are made up of bluegum and pine trees.

The value of bluegum and pine trees as at 31 December 2021 is Shs 604,700,000 and Shs 32,300,000 respectively (2020: Shs 550,200,000 and Shs 32,300,000) respectively.

There are no biological assets whose title is restricted or pledged as security for liabilities as at 31 December 2021 (2020: Nil).

There were no commitments for development or acquisition of biological assets as at 31 December 2021 (2020: Nil).

(ii) Current assets

Growing agricultural produce on bearer plants as at the reporting date

	2021 Shs'000	2020 Shs'000
Avocado – Hass	153,153	170,293
Avocado – Pinkerton	72,929	96,653
Total Avocado	226,082	266,946
Macadamia	127,280	95,852
Tea	1,401	1,972
At end of year	354,763	364,770

Notes to the Consolidated and Separate Financial Statements (continued)

6 Biological assets – Group and Company (continued)

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

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

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

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

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

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

	Valuation technique	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Year ended 31 December 2021					
Livestock	Market approach	-	156,684	-	156,684
Avocado	Market approach	-	-	226,082	226,082
Tea	Market approach	-	1,401	-	1,401
Forestry	Market approach	-	637,000	-	637,000
Macadamia	Market approach	-	-	127,280	127,280
		-	795,085	353,362	1,148,447
Year ended 31 December 2020					
Livestock	Market approach	-	145,664	-	145,664
Avocado	Market approach	-	-	266,946	266,946
Tea	Market approach	-	1,972	-	1,972
Forestry	Market approach	-	582,499	-	582,499
Macadamia	Market approach	-	-	95,852	95,852
		-	730,135	362,798	1,092,933

There were no transfers between any levels during the year.

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 2021

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	153,153	Market approach	Yield - Kgs per Hectare	16,806 – 17,690	The higher the yield, the higher the value
			Net price per carton	€4.97 - €5.23	The higher the market price, the higher the fair value
			Stage of growth	12% - 15%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs122.3 – KShs128.7 for €1	The higher the exchange rate, the higher the fair vale

Year ended 31 December 2020

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	170,293	Market approach	Yield - Kgs per Hectare	15,799 - 16,630	The higher the yield, the higher the value
			Net price per carton	€5.69 - €5.99	The higher the market price, the higher the fair value
			Stage of growth	12% - 15%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs126.9 - KShs133.6 for €1	The higher the exchange rate, the higher the fair vale

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 2021

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

Year ended 31 December 2020

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	96,653	Market approach	Yield - Kgs per Hectare	7,931 – 8,348	The higher the yield, the higher the value
			Net price per carton	€4.78 - €5.03	The higher the market price, the higher the fair value
			Stage of growth	82% - 85%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs126.9 - KShs133.6 for €1	The higher the exchange rate, the higher the fair vale

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 2021

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

Year ended 31 December 2020

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Macadamia Produce	95,852	Market approach	Yield Kgs/Ha	609 - 641	The higher the yield, the higher the value
			Net price per kg of Saleable Kernel	USD14.14 - USD14.88	The higher the market price, the higher the fair value
			Stage of growth - Early season crop	53% - 56%	The higher the stage of growth, the higher the fair value
			Stage of growth - Late season crop	0%	The higher the stage of growth, the higher the fair value
			Exchange rate	KShs103.74 - KShs109.2 for 1 USD	The higher the exchange rate, the higher the fair vale

Notes to the Consolidated and Separate Financial Statements (continued)

6 Biological assets – Group and Company (continued)

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

	Group & Company				
	Avocado Shs'000	Macadamia Shs'000	Tea Shs'000	Blueberries Shs'000	Total Shs'000
Year ended 31 December 2021					
At start of year	266,946	95,852	1,972	-	364,770
Increase due to purchases and development	379,201	266,764	226,067	26,742	898,774
Decrease due to harvest and sales	(379,201)	(266,764)	(266,067)	(26,742)	(898,774)
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	(40,864)	31,428	(571)	-	(10,007)
At end of year	226,082	127,280	1,401	-	354,763
Year ended 31 December 2020					
At start of year	148,366	68,932	2,681	-	219,979
Increase due to purchases and development	325,338	202,912	261,396	29,944	819,590
Decrease due to harvest and sales	(325,338)	(202,912)	(261,396)	(29,944)	(819,590)
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	118,580	26,920	(709)	-	144,791
At end of year	266,946	95,852	1,972	-	364,770

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)

	2021 Hectares	2020 Hectares
Areas planted at the year end:		
Forestry plantations	1,810	1,843
	Head	**Head**
Cattle numbers at the year end	4,332	4,529

	2021 Hectares	2020 Hectares	2021 Metric tonnes	2020 Metric tonnes
Areas planted with various crops and output of agricultural produce during the year:				
Tea (green leaf)	510	510	7,205	7,892
Avocado	927	882	8,468	10,894
Blueberries	10	10	42	13
Macadamia	1,032	1,032	1,725	1,446

	Cubic metres	Cubic metres
Timber harvested during the year was:	55,976	32,081

Sensitivity Analysis

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

Non-current: - Forestry – a 5% movement in the market price for trees or volume of trees assumed would result in a Shs 31,850,000 (2020: Shs 29,125,000) increase/decrease in the fair value of forestry.

Non-current: - Livestock – a 5% movement in the market price for trees or volume of trees assumed would result in a Shs 7,834,000 (2020: Shs 7,283,000) increase/decrease in the fair value of livestock.

Current: – Macadamia - a 5% increase/decrease in the volumes assumed would result in a Shs 13,385,000 (2020 Shs: 10,199,000) increase/decrease in the fair value of macadamia growing crop. A 5% increase/decrease in selling price assumed for macadamia would result in a Shs 12,828,000 (2020: Shs 9,831,000) increase/decrease in the fair value.

Avocados - a 5% increase/decrease in the volume or the price assumed would result in a Shs 9,784,000 (2020: Shs 10,213,000) increase/decrease in the fair value of Hass avocados growing crop.

Avocados - a 5% increase/decrease in the volume or the price assumed would result in a Shs 4,697,000 (2020: Shs 6,039,000) increase/decrease in the fair value of Pinkerton avocados 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 (2020 – 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)

	2021 Shs'000	2020 Shs'000
Fair value of the agricultural produce harvested during the year after deducting costs to sell:		
Tea (green leaf)	260,396	245,801
Avocado	1,019,078	1,418,201
Blueberries	17,996	7,587
Macadamia	838,307	645,420
Others	370,347	325,587
	2,506,124	2,642,596

Other agricultural produce relates to forestry and livestock operations.

7 Other income – Group and Company

	2021 Shs'000	2020 Shs'000
Net foreign exchange gain other than cash and cash equivalents	1,853	7,119
Net exchange gains on foreign currency cash & cash equivalent	15,998	65,358
Gain on disposal of property, plant and equipment	1,420	1,958
Rental Income	4,767	6,401
Sundry	21,331	16,076
	45,369	96,912

The Net foreign exchange gain other than cash and cash equivalents disclosed together with interest income for the comparative period has been reclassified to other income. This is for year on year disclosure comparability see note 2 (r).

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

8 Interest income and finance costs - Group and Company

	2021 Shs'000	2020 Shs'000
Interest income		
Interest income on short term bank deposits	55,189	54,701
Interest income on infrastructure bonds	25,000	25,000
	80,189	79,701
Finance costs		
Interest on lease liabilities	33	33
	33	33
Net interest income and finance costs	80,156	79,668

The other income disclosed together with interest income for the comparative period has been reclassified to other income. This is for year on year disclosure comparability see note 2 (r).

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:-

	2021 Shs'000	2020 Shs'000
Cost of inventories sold	1,811,875	1,575,535
Employee benefits expense (Note 10)	920,204	810,886
Depreciation on property, plant and equipment (Note 18)	247,519	233,970
Repairs and maintenance expenditure on property, plant and equipment	181,663	156,566
Exceptional legal expenses	-	137,481
Directors' remuneration	27,620	11,917
Auditor's remuneration	6,751	6,554
Depreciation of right of use assets (Note 19)	49	446
Gain on disposal of property plant and equipment	(1,420)	(1,958)
Gains arising from changes in fair value less costs to sell of non-current biological assets (Note 6 (i))	(138,121)	(57,813)

10 Employee benefits expense – Group and Company

The following items are included within employee benefits expense:

	2021 Shs'000	2020 Shs'000
Salaries, wages, leave pay and medical	885,334	776,689
Post employment benefits costs:		
- Post employment benefit obligations (Note 16)	21,324	22,562
- Defined contribution pension scheme	5,787	4,380
- National Social Security Fund	6,126	7,255
	920,204	810,886

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

	2021	2020
Management	70	64
Permanent unionisable employees	1,031	1,018
Other unionisable employees	2,631	2,678
	3,732	3,760

Notes to the Consolidated and Separate Financial Statements (continued)

11 Income tax – Group and Company

(a) Taxation charge

	2021 Shs'000	2020 Shs'000
Current tax		
Current tax on profit for the year	164,833	154,131
Deferred income tax		
Deferred income tax (credit)/charge for the year	(14,184)	71,323
Prior year under provision	1,171	44
Total deferred income tax (credit)/charge expense (Note 15)	(13,013)	71,367
Income tax expense	151,820	225,498

(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:

	2021 Shs'000	2020 Shs'000
Profit before income tax	471,556	847,532
Tax calculated at the statutory income tax rate of 30% (2020: 25%)	141,467	211,883
Tax effect of:		
Income not subject to income tax	(10,113)	(6,294)
Expenses not deductible for income tax purposes	19,295	7,977
Effect of deferred tax computed at 30%	-	11,888
Under provision of deferred tax in prior years	1,171	44
Taxation charge	151,820	225,498

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

	2021 Shs'000	2020 Shs'000
Remeasurement of post-employment benefit obligations:		
Actuarial gain (Note 16)	8,626	700
Charge to other comprehensive income (Note 15)	(2,588)	(210)
Net charge to other comprehensive income	6,038	490

Notes to the Consolidated and Separate Financial Statements (continued)

11 Income tax – Group and Company (Continued)

(d) Current tax payable/(recoverable)

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
At start of year	(19,664)	35,355	(19,611)	35,408
Taxation charge (Note 11 (a))	164,833	154,131	164,833	154,131
Paid during the year	(135,268)	(209,150)	(135,268)	(209,150)
At end of year	9,901	(19,664)	9,954	(19,611)

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 2021 and 31 December 2020 as follows:-

	2021	2020
Profit attributable to equity holders of the Group (Shs '000)	319,736	622,034
Number of ordinary shares in issue (thousands)	19,600	19,600
Basic and diluted earnings per ordinary share (Shs)	16.31	31.74

The Group had no potentially dilutive ordinary shares outstanding at 31 December 2021 and 31 December 2020.

ii) Dividends per ordinary share

At the annual general meeting to be held on 17 May 2022, the Directors will recommend the payment of a first and final dividend of 440% (2020: 360%) of par value equivalent to Shs 22.00 per ordinary share (Shs 431,200,000 in respect of the year ended 31 December 2021 ((2020: Shs 18.00 per ordinary share) (Shs 352,800,000)).

13 Share capital

	Number of ordinary shares (Thousands)	Ordinary share capital Shs '000
Authorised		
At 1 January 2020, 31 December 2020 and 31 December 2021	20,000	100,000
Issued		
At 1 January 2020, 31 December 2020 and 31 December 2021	19,600	98,000

The par value of the shares is Shs 5

Notes to the Consolidated and Separate Financial Statements (continued)

14 Borrowing facilities – Group and Company

	2021 Shs'000	2020 Shs'000
The Group has the following undrawn committed borrowing facilities:		
Floating rate (expiring within one year)	426,300	426,300

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

The undrawn bank facilities of Shs 426,300,000 are secured by an undertaking, at any time if and when required by the banks, to execute legal or other mortgages and charges including fixed or floating charges or assigned in favour of the banks.

15 Deferred income tax – Group and Company

Deferred income tax is calculated using the enacted tax rate of 30% (2020: 30%). The net deferred taxation liability is attributable to the following items:

	2021 Shs'000	2020 Shs'000
Property, plant and equipment	744,895	755,908
Biological assets	297,529	284,181
Other temporary differences*	(49,106)	(36,346)
Net deferred income tax liability	993,318	1,003,743

*Other temporary differences include provision for bad & doubtful debts, provision for leave, gratuity provision and unrealised forex gains.

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

	2021 Shs'000	2020 Shs'000
At start of year	1,003,743	932,166
(Credit)/charge to profit or loss (Note 11(a))	(13,013)	71,367
Charge to other comprehensive income (Note 11(c))	2,588	210
At end of year	993,318	1,003,743

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.

	2021 Shs'000	2020 Shs'000
Deferred income tax assets	(49,106)	(36,346)
Deferred income tax liabilities	1,042,424	1,040,089
	993,318	1,003,743

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:

	2021 Shs'000	2020 Shs'000
Present value of post employment benefit obligations	116,873	109,585
Split as follows:		
Non-current portion	77,312	76,354
Current portion	39,561	33,231

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

	2021 Shs'000	2020 Shs'000
At start of year	109,585	93,066
Net expense recognised in statement of profit or loss	12,698	21,862
Benefits paid	(5,410)	(5,343)
At end of year	116,873	109,585

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

	2021 Shs'000	2020 Shs'000
Current service cost	6,271	5,537
Past service cost	4	4,554
Interest on obligation	15,049	12,471
Total included in employee benefits expenses (Note 10)	21,324	22,562
Actuarial (gain) recognised in other comprehensive income (Note 11(c))	(8,626)	(700)

Notes to the Consolidated and Separate Financial Statements (continued)

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

	31 December 2021			31 December 2020		
	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	86,054	23,531	109,585	70,632	22,434	93,066
Current service cost	4,985	1,286	6,271	4,247	1,290	5,537
Past service cost	-	4	4	4,554	-	4,554
Interest expense	11,895	3,154	15,049	9,548	2,923	12,471
	16,880	4,444	21,324	18,349	4,213	22,562
Remeasurements:						
Losses/(gains) from change in assumptions	(7,431)	1,665	(5,766)	490	(28)	462
Experience (gains)/losses	1,531	(4,391)	(2,860)	(558)	(604)	(1,162)
	(5,900)	(2,726)	(8,626)	(68)	(632)	(700)
Benefits paid	(3,203)	(2,207)	(5,410)	(2,859)	(2,484)	(5,343)
At end of year	93,831	23,042	116,873	86,054	23,531	109,585

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)	
	2021	**2020**	**2021**	**2020**
Discount rate (% p.a.)	13.7%	13.3%	13.7%	13.3%
Future salary increases (% p.a.)				
first year	6%	10%	6%	10%
second year	6%	7.5%	6%	7.5%
Thereafter	6%	7.5%	6%	7.5%
Mortality (pre-retirement)	**A 1949 - 1952**	**A 1949 - 1952**	**A 1949 - 1952**	**A 1949 - 1952**
Withdrawals	At rates consistent with similar arrangements	At rates consistent with similar arrangements	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Ill-Health	At rates consistent with similar arrangements	At rates consistent with similar arrangements	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Retirement age	55 years	55 years	55 years	60 years

The sensitivity of the defined obligation to changes in the weighted principal assumptions is:

	Impact on post employment benefit obligation	
	Changes in assumption	**Increase/Decrease in assumption**
Discount rate	by 1%	Shs 3,957,000
Salary growth rate	by 1%	Not material

Notes to the Consolidated and Separate Financial Statements (continued)

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

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

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

Five year summary:	**2021 Shs'000**	**2020 Shs'000**	**2019 Shs'000**	**2018 Shs'000**	**2017 Shs'000**
Present value of post employment benefit obligations – Group and Company	116,873	109,585	93,066	95,233	85,166
Net expense/(income) recognised in the statement of profit or loss and other comprehensive income – Group and Company					
- within 'cost of sales'	21,324	22,562	19,141	17,277	16,065
- within 'other comprehensive income/(loss)	(8,626)	(490)	(11,810)	(3,046)	(1,735)

Characteristics and Risks of the post-employment benefit obligation:

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

Notes to the Consolidated and Separate Financial Statements (continued)

17 Lease obligations – Group and Company

	2021 Shs'000	2020 Shs'000
The movement in the lease liabilities is as follows:		
Balance at 1 January	432	412
Interest on lease liabilities	33	33
Lease payments	(3)	(13)
At 31 December	462	432
Amounts due for settlement within 12 months	135	59
Amounts due for settlement after 12 months	327	373
	462	432
Year 1	135	59
Year 2	24	26
Year 3	23	24
Year 4	21	23
Year 5	19	21
Onwards	240	279
	462	432

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 2021 was Shs 3,000 (2020 Shs 13,000).

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

Notes to the Consolidated and Separate Financial Statements (continued)

18 Property, plant and equipment

Group and Company

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

Property, plant and equipment stated at cost of Shs 541,823,027 have been fully depreciated. The notional annual depreciation charge in respect of these values would have been Shs 66,802,648. There were no items of property, plant and equipment whose title were restricted or pledged as security for liabilities as at 31 December 2021 (2020: none).

Based on an impairment review performed by the Directors at 31 December 2021, no indication of impairment of property, plant and equipment were identified (2020: 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, freehold land, dams and improvements Shs'000	Plant & machinery Shs'000	Motor vehicles, tractors, trailers and implements Shs'000	Furniture, fittings and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Year ended 31 December 2020							
Cost							
At start of year	1,350,977	1,639,426	345,000	331,760	153,178	470,331	4,290,672
Transfers	63,652	87,606	11,417	-	-	(162,675)	-
Additions	-	139,591	54,661	33,238	8,439	113,050	348,979
Disposals	-	(1,366)	(123)	(12,873)	(197)	-	(14,559)
At end of year	1,414,629	1,865,257	410,955	352,125	161,420	420,706	4,625,092
Depreciation and impairment							
At start of year	299,298	579,578	185,795	220,049	92,718	-	1,377,438
Charge for the year	68,797	74,026	53,347	27,406	10,394	-	233,970
Eliminated on disposals	-	-	(123)	(8,043)	(139)	-	(8,305)
At end of year	368,095	653,604	239,019	239,412	102,973	-	1,603,103
Net book amount	1,046,534	1,211,653	171,936	112,713	58,447	420,706	3,021,989
Depreciation and impairment at year end comprises:							
Depreciation	368,095	653,604	239,019	239,412	102,973	-	1,603,103
Impairment	-	-	-	-	-	-	-
	368,095	653,604	239,019	239,412	102,973	-	1,603,103

Property, plant and equipment stated at cost of Shs 513,347,817 have been fully depreciated. The notional annual depreciation charge in respect of these values would have been Shs 61,782,521.

Based on an impairment review performed by the Directors at 31 December 2020, no indication of impairment of property, plant and equipment were identified (2019: none).

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

Notes 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:

	2021 Shs'000	2020 Shs'000
Cost		
At 1 January and at 31 December	4,791	4,791
Accumulated depreciation		
At 1 January	456	10
Charge for the year	49	446
At 31 December	505	456
At 31 December	4,286	4,335
Amounts recognised in profit and loss		
Depreciation expense of right of use assets	49	446
Interest expenses on lease liabilities	33	33
	82	479

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 (2020: Nil).

Notes to the Consolidated and Separate Financial Statements (continued)

20 Investment in subsidiaries-Company only

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

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

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

There were no restrictions on the Groups ability to access or use assets of the subsidiaries to settle the Groups liabilities at 31 December 2021 and 31 December 2020.

21 Financial assets held at amortised cost – Group and Company

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

	Maturity rate Average Interest Rate	Maturity date	2021 Shs'000	2020 Shs'000
Treasury Infrastructure Bonds	12.50%	18-Nov-22 and 18-Nov-24	200,000	200,000

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

	2021 Shs'000	2020 Shs'000
At start of year	200,000	200,000
Redeemed in the year	-	-
At end of year	200,000	200,000
Non current portion	100,000	200,000
Current portion	100,000	-
	200,000	200,000

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

None of the financial assets had been pledged as collateral for liabilities or contingent liabilities as at 31 December 2021 (2020: Nil).

Notes to the Consolidated and Separate Financial Statements (continued)

22 Inventories – Group and Company

	2021 Shs'000	2020 Shs'000
Spare parts and consumable materials	211,832	165,466
Macadamia nuts	241,441	220,638
Blueberries	3,222	-
Poles & timber	47,928	48,912
Total inventories	504,423	435,016

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 1,811,875,000 (2020: Shs 1,575,535,000. There were no write downs during the year (2020: Nil).

23 Receivables and prepayments – Group and Company

	2021 Shs'000	2020 Shs'000
Trade receivables	71,572	251,981
Loss allowance	(5,324)	(5,324)
Trade receivables - net	66,248	246,657
Due from related companies (Note 27(v))	98,095	49,814
Staff debtors	39,011	35,264
Value Added Tax (VAT) Refunds receivable	98,387	60,963
Other receivables and prepayments	79,874	70,057
	381,615	462,755
Less non current portion	(38,745)	(35,555)
Current receivables & prepayments	342,870	427,200
Non current receivables	38,745	35,555

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 2.1% (2020: 2.1%). None of the amounts were impaired (2020: 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 debtor and an analysis of the debtors current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

	Trade receivables – days past due					
31/12/2021 & 31/12/2020	**Not past due Shs'000**	**<30 Shs'000**	**31 - 60 Shs'000**	**61 - 90 Shs'000**	**>90 Shs'000**	**Total Shs'000**
Expected credit loss rate	0%	0%	0%	0%	100%	0%
	======	======	======	======	======	======

Notes to the Consolidated and Separate Financial Statements (continued)

23 Receivables and prepayments – Group and Company (continued)

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

	Collectively assessed	Individually assessed	Total
Balance at 1 January 2020	-	4,934	4,934
Loss allowance charge for the year 2020	-	390	390
Balance as at 31 December 2020	-	5,324	5,324
Loss allowance charge for the year 2021	-	-	-
Balance as at 31 December 2021	-	5,324	5,324

24 Payables and accrued expenses

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Trade payables	110,320	86,353	110,320	86,353
Due to related companies (Note 27(v))	-	-	8,383	8,383
Accrued expenses	19,898	24,045	19,898	24,045
Leave obligations	36,634	34,434	36,634	34,434
Other payables	60,642	81,775	60,642	81,775
	227,494	226,607	235,877	234,990

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

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

	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
At start of year	34,434	23,727	34,434	23,727
Charge for the year	4,711	12,847	4,711	12,847
Paid during the year	(2,511)	(2,140)	(2,511)	(2,140)
At end of year	36,634	34,434	36,634	34,434

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

Notes to the Consolidated and Separate Financial Statements (continued)

25 Cash and cash equivalents - Group and Company

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

	2021 Shs'000	2020 Shs'000
Cash at bank and in hand	74,612	925,461
Short term deposits	1,581,607	744,663
	1,656,219	1,670,124

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:

	2021	2020
Kenya Shillings deposits	7.10%	6.94%
United States Dollar deposits	3.00%	3.18%

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

There were no amounts of cash and cash equivalents held by the Group that were not available for use by the Group as at 31 December 2021 (2020: Nil).

26 Note to the consolidated and separate statement of cash flows

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

	2021 Shs'000	2020 Shs'000
Profit before income tax	471,556	847,532
Adjustments for:		
Net exchange gains on foreign currency cash & cash equivalents (Note 7)	(15,998)	(65,358)
Interest expense on lease liabilities (Note 8)	33	33
Interest income (Note 8)	(80,189)	(79,701)
Depreciation (Note 18)	247,519	233,970
Depreciation of right of use assets (Note 19)	49	446
Gain on disposal of property, plant and equipment	(1,420)	(1,958)
Gains arising from changes in fair value less estimated point-sale costs of non-current biological assets (Note 6 (i))	(138,121)	(57,813)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 6 (i))	89,905	62,465
Fair value movement in biological assets – growing agricultural produce (Note 6 (ii))	10,007	(144,791)
Changes in working capital:		
- Increase in inventories	(69,407)	(33,323)
- Decrease/(increase) in receivables and prepayments	81,140	(152,913)
- Increase in payables, accrued expenses and lease obligations	887	44,896
- Increase in post-employment benefit obligations	15,914	17,219
Cash generated from operations	611,875	670,704

Notes to the Consolidated and Separate Financial Statements (continued)

27 Related party transactions – Group and Company

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

The following transactions were carried out with related parties:

		2021 Shs'000	2020 Shs'000
i)	**Sale of goods to:**		
	Eastern Produce Kenya Limited	197,640	129,366
ii)	**Purchase of goods and services from:**		
	Robertson Bois Dickson Anderson (RBDA) Kenya Branch	24,654	125,112
	Eastern Produce Kenya Limited	73,724	71,759
	Eastern Produce Regional Services Limited	74,423	-
		172,801	196,871

The purchase of goods and services includes a charge in relation to the Executive Directors remuneration (including value of benefits in kind) amounting to Shs 28,657,000 (2020: Shs 28,584,000).

		2021 Shs'000	2020 Shs'000
iii)	**Key management compensation**		
	Salaries and other short-term employment benefits	96,327	74,754
	Post employment benefits	971	357
		97,298	75,111
iv)	**Directors' remuneration**		
	Fees for services as a Director	27,125	11,529
	Other emoluments	495	388
		27,620	11,917

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Notes to the Consolidated and Separate Financial Statements (continued)

27 Related party transactions – Group and Company (continued)

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related Companies				
Eastern Produce Kenya Limited	82,295	34,104	82,295	34,104
RBDA Kenya Branch	-	15,710	-	15,710
Eastern Produce Regional Services Limited	15,800	-	15,800	-
	98,095	49,814	98,095	49,814
Due to related Companies				
Estates Services Limited	-	-	2,570	2,570
Kaguru EPZ Limited	-	-	5,813	5,813
	-	-	8,383	8,383

28 Commitments – Group and Company

Capital commitments

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

	2021	2020
	Shs'000	Shs'000
Property, plant and equipment	48,168	18,532

29 Contingent liabilities

Various claims have been submitted against the Group in relation to different litigations. It is not practical to estimate the potential effect of these claims but legal advice indicates that it is not probable that a significant liability will arise. The Directors believe that the ultimate resolution of these legal proceedings would not have a material effect on the Group's consolidated and separate financial statements.

30 Subsequent events

There have been no significant events after the reporting date to the date of signing these accounts which have a material financial statement impact at 31 December 2021.

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Company's five year record

	2021 Shs'000	2020 Shs'000	2019 Shs'000	2018 Shs'000	2017 Shs'000
Turnover	3,296,414	3,608,941	2,888,662	3,152,831	2,823,926
Profit before income tax	471,556	847,532	1,014,477	684,083	849,123
Income tax	(151,820)	(225,498)	(301,038)	(202,489)	(257,480)
Profit after income tax	319,736	622,034	713,439	481,594	591,643
Profit attributable to the members of Kakuzi Plc	319,736	622,034	713,439	481,594	591,643
Dividends: -					
Proposed final dividend - for the year	431,200	352,800	274,400	176,400	137,200
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves	5,437,282	5,464,308	5,116,184	4,567,335	4,219,895
Total equity	5,535,282	5,562,308	5,214,184	4,665,335	4,317,895
Basic earnings per ordinary share (Shs)	16.31	31.74	36.40	24.57	30.19
Dividends per ordinary share (Shs)	22.00	18.00	14.00	9.00	7.00
Dividend cover	0.74	1.76	2.60	2.73	4.31
Total equity per ordinary share (Shs)	282.41	283.79	266.03	238.03	220.30

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 2021 were:

	Shareholder name	Number of ordinary shares	%
1	John Kibunga Kimani	6,338,099	32.34%
2	Bordure Limited	5,107,920	26.06%
3	Lintak Investments Limited	4,828,714	24.64%
4	Standard Chartered Nominees a/c 9532	429,134	2.19%
5	G.H. Kluge & Sons Limited	239,118	1.22%
6	Kakuzi Neighbourhoods Development Foundation	216,598	1.11%
7	HSBC Global Custody Nominee (UK) Limited	200,000	1.02%
8	Joe B.Wanjui	122,004	0.62%
9	John Okuna Ogango	109,700	0.55%
10	Lise Larsen & Esther Ebba Aasberg Larsen	48,999	0.25%
		17,640,286	**90.00%**

* Camellia Plc incorporated in England, by virtue of its interests in Bordure Limited incorporated in England and Lintak Investments Limited incorporated in Kenya, is deemed to be interested in these ordinary shares.

DISTRIBUTION SCHEDULE

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

Ordinary shares range	Number of shareholders	Number of ordinary shares	%
Less than 500	806	124,010	0.63%
501 to 5,000	426	768,172	3.92%
5,001 to 10,000	45	340,211	1.74%
10,001 to 100,000	39	776,319	3.96%
100,001 to 1,000,000	6	1,316,554	6.72%
Over 1,000,000	3	16,274,733	83.03%
	1,325	**19,599,999**	**100.00%**

Kakuzi Plc

Form of Proxy (94th Annual General Meeting)

I/WE

____

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

hereby appoint: ____

of (address) __________________________________ Telephone Number _________________________

Email Address _____________________________, or failing him/her _______________________________

of (address) ___________________________________ Telephone number _________________________

Email Address ____ or failing him/her the

duly appointed Chairman of the meeting, as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on **Tuesday,17th May 2022 at 12.00 noon,** and at any adjournment thereof.

As witness my/our hand this……………………………………day of ………………………………...2022

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, 13th May 2022.

FOLD 2

STAMP

FOLD 1

Kakuzi Plc
P O Box 24
Thika 01000
Kenya

FOLD 3

INSERT FLAP INSIDE