KAKUZI PLC

ANNUAL REPORT AND AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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COUNTRY OF INCORPORATION

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

DIRECTORS

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

Mr. G H Mclean*	Chairman
Mr. C J Flowers*	Managing Director
Mr. K R Shah	
Mr. K W Tarplee*	(Deceased 13 February 2020)
Mr. N Nganga	
Mr. D M Ndonye	
Mr. S N Waruhiu	
Mr. A N Njoroge	

* British

REGISTERED OFFICE

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

REGISTRARS

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

SUBSIDIARY COMPANIES

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

AUDITOR

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

SECRETARY

John L G Maonga
Maonga 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 Second Annual General Meeting of the Members of the Company will be held in the Ballroom at Nairobi Serena Hotel, Nairobi on Tuesday, 9th June 2020 at 12.00 noon for the following purposes:-

1. To read the notice convening the meeting.
2. To table the proxies and confirm the presence of a quorum.
3. To approve the minutes of the Ninety First Annual General Meeting held on 14 May 2019.
4. To receive, consider and adopt the Financial Statements for the year ended 31 December 2019 together with the reports of the Chairman, the Directors and the Independent Auditors thereon.
5. To declare a first and final dividend of Shs.14.00 per ordinary share (2018: Shs 9.00) for the Financial Year ended 31 December 2019.
6. To approve the Remuneration Policy of the Company as detailed in the Annual Report for the Financial Year ended 31 December 2019.
7. To approve the Remuneration Report of the Board as detailed in the Annual Report for the Financial Year ended 31 December 2019.
8. To re-elect Directors:-
   i) Mr Ketan Rameshchandra Shah, a Director who retires by rotation in accordance with Article 27 of the Company's Articles of Association and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.
   ii) Mr Graham Harold Mclean, a Director who retires by rotation in accordance with Article 27 of the Company's Articles of Association and, being eligible in accordance with Article 28 of the Company's Articles of Association, offers himself for re-election.
   iii) Mr Daniel M Ndonye, a Director who has attained the age of seventy years, retires in accordance with the provisions of clause 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. Special Notice having been received proposing for his re-election pursuant to Section 287 of the Companies Act, 2015, he offers himself for re-election.
9. In accordance with the provisions of Section 769 of the Kenyan Companies Act, 2015, the following Directors, being members of the Board Audit & Risk Committee be re-elected to continue to serve as members of the said Committee:-
   a) Mr Daniel M Ndonye
   b) Mr Stephen N Waruhiu
   c) Mr Andrew N Njoroge
   d) Mr Nicholas Nganga
10. To re-appoint Messrs Deloitte & Touche as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Kenyan Companies Act, 2015 and to authorise the Directors to fix the Auditors' remuneration for the ensuing Financial Year in accordance with the provisions of Section 724 (1) of the Kenyan Companies Act, 2015.
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

19 March 2020

Note:

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

RESULTS

An excellent set of results for 2019 showing a pre-tax profit of Shs 1,014 million against Shs 684 million of last year as a result of firm market demand and pricing for both avocado and macadamia throughout the year. The earning per Share increased from Shs 24.57 to Shs 36.40. Profitability within the tea operations continued to reflect the difficult trading conditions and significant inflationary pressure on labour and other production costs.

Kakuzi continues to develop its Core Crop Strategy in line with the Group's long-term objectives.

DIVIDEND

Kakuzi's cashflow and balance sheet remain strong and in a good position with which to continue its strategic investment plans. The Directors have recommended a dividend of Shs 14.00 per share compared with Shs 9.00 per share in 2018.

OVERVIEW

Kakuzi's commitment to its custodial philosophy remains a prime focus as does developing its agricultural strategy i.e. the diversification of its income stream and the continued expansion of both the avocado and macadamia footprints. The future sustainability and improvement of its operations and water resources, as well as the wellbeing of its employees, forms the very foundation of the Company's daily activities. Not least, supporting local communities through economic empowerment, health, education, environmental, water and sanitation initiatives.

Kakuzi's avocado smallholder empowerment programme paid out Shs 93 million (85% of the net returns) to individual farmers and smallholder groups who supplied fruit last year.

Agriculture at Kakuzi continues to perform well in Kenya's current business climate. Despite global political uncertainty, climate change, and volatile commodity markets, the Company's diverse cropping portfolio and commitment to environment sustainability remain the basis of its commercial objectives.

The international markets within which Kakuzi operates are very uncertain as a result of the ongoing pandemic COVID 19 and the supply and demand dynamics are unclear for 2020, making future projections uncertain.

OPERATIONS

The dry conditions experienced at the beginning of the year seriously affected Kakuzi's avocado crop resulting in a decline in yield. However, a global drop in avocado volumes in comparison to 2018, meant an undersupplied market which resulted in excellent prices for most of the season. The macadamia market held firm as a result of lower than anticipated volumes from Australia and sustained demand from China.

Avocado export production was down 45% on 2018 - a total of 1.56 million cartons were shipped. Market demand in EU countries continued at unprecedented levels with excellent prices being achieved, however, Kenya's reputation as an origin for quality fruit remains undermined by the export of immature fruit. Logistics improved this year with few delays and no material insurance claims. Kakuzi continues to focus on producing quality fruit as well as its orchard expansion both in terms of size and variety.

Macadamia production was up by 37% on 2018 despite the dry conditions throughout the year. Our products performed well in the market with this being the first year of marketing our product through *Green and Gold Macadamias* (*www.greenandgoldmacadamias.com)* who bring with them a wealth of macadamia marketing experience and customer access to a stable, quality supply of processed macadamia.

OPERATIONS (continued)

Market prices remained firm and in line with last year although Kakuzi's final selling price was down about 6% as a result of a higher proportion of smaller and commercial grades sold.

Kakuzi's forestry operations saw a slight decline in sales of treated poles although sawn timber sales were up on the previous year on the back of firm demand. Sales from Kakuzi's roadside shop continue to do well.

In terms of Kakuzi's livestock, herd numbers were maintained at an average head count of 4,400 throughout the year and considering the dry weather experienced in the first quarter, sales recovered remarkably in the second half of the year to levels slightly above 2018.

Tea prices were under severe pressure throughout the year due to significant 'carried forward' stocks from 2018's record production that remained in the market. In Nandi Hills, a final agreement was reached with KPAWU on the outstanding CBAs between 2014 and 2019, and payments to employees were completed.

The 10 Ha blueberry operation was established on Kakuzi during the first quarter of the year and the imported plants have grown well and produced a small crop in the last quarter; the majority of which was sold locally. A trial export shipment of a small amount was successfully completed.

GOVERNANCE

Kakuzi is committed to ensuring that the business is run in a professional, transparent and equitable manner so as to protect and enhance its value for all stakeholders.

Kakuzi undertook its second governance audit during the year in line with the Capital Markets Authority requirement. The Auditor's Report can be found on Page 21 of this Annual Report.

In keeping with good Corporate Governance compliance, a Board evaluation process and further training sessions were conducted during the year.

We continue to note the Governance auditors' recommendations and are pleased with their positive audit findings.

CORPORATE SOCIAL INVESTMENT (CSI) AND SUSTAINABILITY

Kakuzi continues to work hard towards achieving its Sustainable Development Goals (SDGs) through in-house schemes such as indigenous forest enrichment and wetland initiatives, and we remain steadfast in our support of local communities through economic empowerment initiatives, agricultural training programmes, environmental conservation schemes (such as tree planting), water sanitation, and with basic health and education needs (the provision of desks and computers). The Company's CSI specifically works with SDGs relating to good health and wellbeing, quality education, gender equality, clean water and sanitation, decent work and economic growth, and Climate action.

Kakuzi's commitment to developing community avocado farming continues in earnest through its agricultural extension services. Social media-based training programmes have been developed and numerous training programmes with farmers took place on good agricultural practices. With the increased level of new plantings by smallholder farmers, it is critical that we spend time and effort improving farmers' knowledge of the market criteria for their fruit. Growing quality fruit which meet international standards is essential to maximise the returns and to prevent this fruit from simply being ignored in weak markets.

Kakuzi continues to engage with various social partners and stakeholders and is actively involved with government offices, local administration, Civil Society Organisations and Non-Governmental Organisations, in particular, the Kenya National Commission on Human Rights (KNCHR).
During 2019, Kakuzi became a signatory to the United Nations Global Compact (UNGC) and is in the final stages of completing its application to join the United Nations Women in support of the principles of women empowerment.

CORPORATE SOCIAL INVESTMENT (CSI) AND SUSTAINABILITY (continued)

Our commitment to the UNGC's principles on Human Rights, Environment, Labour relations and Anti-corruption is reflected in our CSI activities.

Our Sexual Harassment Awareness Reporting and Prevention (SHARP) Programme continued to have positive impact at the workplace and has now been extended to the surrounding community. SHARP was featured by UNGC and UNFPA (United Nations Population Fund) at the International Conference on Population and Development (ICPD25) held in Nairobi in 2019.

An education campaign was launched through our SAASA (Stop Alcohol and Substance Abuse) program; it is aimed at educating the youth, our employees and the general community on the dangers posed by these products. SAASA feeds directly to Kakuzi's mental health programme which has an additional focus on counselling, stress and depression management as well as promoting family cohesion.

During the year we successfully underwent various socio-environmental and food safety audits including Rainforest Alliance (RA), GLOBALG.A.P. Risk Assessment on Social Practice (GRASP), Sedex Members Ethical Trade Audit (SMETA), GlobalGAP, Tesco Nurture, and Food Safety System Certification (FSSC).

We also maintained our Kenya Bureau of Standards certification for all of our products as well as a Halaal certification for our livestock and Kosher certification for our macadamia.

STRATEGIC GOALS & DEVELOPMENTS

Positive progress has been made towards achieving Kakuzi's strategic development goals, and the Group maintains the growth and diversification of its operational base. The Board continues to review further developments in conjunction with the Group's strategic objectives.

Kakuzi's development plans remain in full swing with significant additional areas of avocado being planted. Macadamia new planting development will resume in 2023 when work will commence on planting the final 30% of the total operation. Irrigation developments are also a key part of Kakuzi's strategy to mitigate the rising risk of adverse weather conditions and are ongoing for all of our cropping operations.

Sales of hay and beef into the local market continue to meet good demand and play a small yet important contribution to National food security. We hope to grow these volumes in 2020.

BOARD ANNOUNCEMENTS

It was with profound sadness that we announced the death of Mr Kenneth W Tarplee who passed away in the United Kingdom on the 13th February 2020 after a long battle with cancer. Mr Tarplee had been a Director of the Company for 27 years and was the Chairman of the Board for five years of this period. His guidance and counsel will be greatly missed by the Board and his fellow colleagues. Our most sincere condolences go to his family.

STAFF AND DIRECTORS

As the business continues to expand, we are committed to the recruitment of Kenyan management at all levels. Management at Makuyu continue to show strong commitment to their operations under what can be challenging circumstances and are well supported by their finance, administration and legal colleagues in Nairobi.

LOOKING AHEAD

In a world that is undergoing constant and accelerating change, be this in politics, technology, culture or the environment, we must always be ready to adapt to the new challenges placed by these changes on our business. Kakuzi produces crops that are growing in global demand by a discerning population in

LOOKING AHEAD (continued)

search of good quality, healthy food products. Going forward the challenge will be to continue to produce these sustainably, in a constantly changing climate.

With ever-changing global economic, political and climatic modifications, Kakuzi looks to continually adapt as we introduce new varieties of our already established crops, and, where appropriate, diversify the type of crops we produce. We are also adopting new technologies in order to reduce the energy used in the production with the aim of reducing our carbon footprint as well as mitigate against rising production costs. Such initiatives will ensure we keep abreast of global changes as well as actively invest in crops, practices and technologies in advance of any dramatic shifts.

As ever, commodity prices are both unpredictable and volatile. In terms of Kakuzi's production, it remains largely dependent on the vagaries of the weather and other new threats such as locusts which are becoming increasingly common as a result of the very real impact of climate change.

On behalf of the Board, I would like to sincerely thank all staff for their continued commitment and hard work throughout a year that has posed a set of unique challenges. The Kakuzi staff have approached challenges with great dedication and professionalism which has been nothing but exemplary.

The Board of Directors have been invaluable in their assistance, direction and support of management, enabling them to progress in a productive manner, and I have every confidence that this will continue through next year.

G H MCLEAN
CHAIRMAN

19 March 2020

The Directors submit their report together with the audited Financial Statements for the year ended 31 December 2019, 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 & sale of forestry products
- Livestock farming, animal feed and sale of beef
- Blueberries development

The two subsidiary companies are dormant.

BUSINESS REVIEW

A review of the business of the Group is incorporated within the Chairman’s statement on pages 5 to 8.

PRINCIPAL RISKS AND UNCERTAINTIES

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

i) Climate change: level of rainfall affecting crop yields and in extreme cases, crop viability.
ii) Price volatility: changes in market prices impact profitability each season.
iii) Currency fluctuation: profit volatility arising from sales denominated in foreign currency.
iv) Cost of labour: increased cost of production and lower profitability.

RESULTS AND DIVIDEND

The net profit for the year of Shs 713,439,000 (2018: Shs 481,594,000) has been added to retained earnings. The Directors recommend the approval of a first and final dividend of Shs 14.00 (2018: Shs 9.00) per ordinary share.

The results for the year are set out on pages 27 to 80 in the attached Financial Statements.

ANNUAL GENERAL MEETING

The Ninety Second Annual General Meeting of the Company will be held in the Ballroom at Nairobi Serena Hotel, Nairobi on Tuesday, 9th June 2020 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 2019		At 31 December 2018	
	Beneficial Ordinary shares	Non-Beneficial Ordinary shares	Beneficial Ordinary shares	Non-beneficial Ordinary shares
Mr. K W Tarplee (Deceased 13 February 2020)	-	75	-	75
Mr. G H Mclean	100	-	100	-
Mr. C J Flowers	-	-	-	-
Mr. K R Shah	200	-	200	-
Mr. N Nganga	1,000	-	1,000	-
Mr. D M Ndonye	-	-	-	-
Mr. S N Waruhiu	-	-	-	-
Mr. A N Njoroge	-	-	-	-

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

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

Mr Daniel M Ndonye, a Director who has attained the age of seventy years, retires in accordance with the provisions of clause 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. Special Notice having been received proposing for his re-election pursuant to Section 287 of the Companies Act, 2015, he offers himself for re-election.

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

BY ORDER OF THE BOARD

K R SHAH
DIRECTOR

19 March 2020

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 19 March 2020 and signed on its behalf by:

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

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

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

Following the issuance of the Code, the Board embarked on tracking the implementation of the guidelines and recommendations therein. The Board, in order to ensure that the Group is compliant, commissioned a Governance Audit undertaken by an auditor, accredited by the Institute of Certified Public Secretaries of Kenya. The Governance Auditor's opinion is on page 21 of this report.

This statement describes how the Group applies the main principles of the Code. The Group acknowledges and continues to consider the recommendations of the Code carefully and implement as appropriate. Areas that have yet to be implemented are highlighted in the various sections below. In implementing the Code, the Directors have taken account of the Group's size and structure and the fact that there is a controlling shareholder, Camellia Plc.

Board Size, Composition and Independence

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

The Board currently comprises of seven Directors, three of whom are independent non-executive Directors. Of the remaining Directors, two are executive, and two are non-executive, including a non-executive Chairman. The independent and other non-executive Directors constitute over two-thirds of the Board. The membership of the Board remained unchanged in 2019. The Directors' abridged biographies appear on the Group's website, and the names of the Directors are listed on page 3 of this Annual Report.

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

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

All the Directors, excluding the Managing Director, are subject to retirement by rotation and must seek re-election by shareholders at least once every three years in accordance with the Articles of Association. Any Director appointed during the year is required to retire and seek re-election at the next Annual General Meeting.

A review of the other listed Group Directorships of the Directors indicated that all the Directors have complied with the Code, which limits the number of Directorships in listed companies a member of the Board holds at any given time.

Board Responsibilities

- Strategy
- Acquisitions and disposals
- Financial reporting and control
- Internal controls
- Approval of expenditure above specified limits
- Approval of transactions and contracts above specified limits
- Responsibilities for corporate governance
- Board membership and committees
- Approval of changes to capital structure
- Debt financing

Board Diversity

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

Director's Name	**Occupation**	**Appointment Date**
Mr Graham Mclean – Chairman – Non-Executive Director	Agriculture	01 January 2005
Mr Christopher Flowers – Managing Director (Executive Director).	Engineer	28 March 2013
Mr Nicholas Nganga – Non-Executive Director	Farmer	28 November 2002
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
Mr Kenneth W Tarplee –Non-Executive Director (Deceased)	Accountant	10 February 1993
Mr Ketan Shah – Finance Director (Executive Director).	Accountant	28 August 2007

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

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

Directors' Shareholding

None of the Directors held shares in their individual capacity of more than 1% of the Company's total equity as at the end of December 2019.

Board Policies

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

Board Policies (continued)

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

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

Company Secretary

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

Board and Directors' effectiveness

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

Board Remuneration

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

Board Meetings

The Board and its Committees meet regularly in accordance with business requirements. The Committee meetings are scheduled around the Board meetings. The Agenda and supporting papers and other appropriate information are distributed prior to each meeting to allow the Board and its Committees to meet its duties. In 2019, four scheduled Board meetings were held.

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

Board Meetings (continued)

The Board met and deliberated on, amongst other issues:

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

Details of the Board and Board Committee meetings held during the Reporting Period and attendances at those meetings are set page 20.

Directors' external activities and Conflicts of Interest

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

Insider Trading

Internal policy and various laws, regulations and guidelines that regulate the Group's businesses prohibit Directors and employees from dealing in the Group's securities when they have price-sensitive information that is not generally available to the market. Information is considered to be "nonpublic" unless it has been publicly disclosed, and adequate time has passed for the securities markets to digest the information. Staff are required to adhere to the Staff Code of Conduct on permissible trading activity. During the year 2019, there were no known or identified instances of insider trading by the Directors, management and staff of the Group.

Board Committees

The Board has established Committees to assist it in discharging its responsibilities and obligations. The Committees assist the Board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management. These Committees have terms of reference approved by the Board, indicating their mandate, authority, duties, composition and leadership. The appointment of the members to these Committees draws on the skills and experience of individual Directors.

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

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

Board Committees (continued)

Details of these Committees are given here below:

Nomination & Remuneration Committee

The Nomination & Remuneration Committee is chaired by Mr Nicholas Nganga, a non-executive Director. Although the Code recommends that the Chairman of the Nominations Committee should be an independent Director, the Board considers that Mr Nganga is the appropriate non-executive Director for this role because of his long-standing and experience. Its other members comprise the rest of the Board members. The principal responsibilities of the Nomination & Remuneration Committee are set out below:

Principal responsibilities

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

The Committee met once during the year, as shown on page 20 and deliberated on, amongst other issues:

- Training needs for the year 2020 noted
- The need to review succession planning

Audit & Risk Committee

The Audit & Risk Committee is chaired by Mr Daniel Ndonye, an independent Director. The other members of the Committee are Mr Nicholas Nganga, Mr Kenneth Tarplee (Deceased February 2020), Mr Stephen Waruhiu and Mr Andrew Njoroge. During 2019, the Committee met twice, as shown below on page 20.

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

Principal responsibilities

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

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

- Monitoring developments in accounting, financial reporting and taxation relevant to the Group
- Reviewing and making recommendations to the Board for the adoption of the Group's half-year and annual financial statements
- Approval of the scope plan and fees for the 2019 external audit
- Reviewing the independence and performance of the external auditor
- Reviewing Internal Audit reports and approval of the 2019 Internal Audit plan
- Reviewing the External Auditors audit findings report for the year ended 2018
- Review of Dividend and Press announcements
- Review of the Group's Risk Map

Board and Directors Evaluation in 2019

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

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

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

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

For the 2019 financial year, the evaluation outcome found that the Board continues to operate effectively and is well-positioned to address any challenges faced by the Group. A formal procedure to conduct the evaluation of the individual Board members, Company secretary and Board Committees is being considered.

Director Access to Management and Independent Advisors

Directors receive operating and financial reports of the Group and have access to senior management at Board and Committee meetings. The Board have the authority to retain, terminate and determine the fees and terms of consultants, legal counsel and other advisors to the Board as the Board may deem appropriate in its discretion. In 2019, the Group employed the expertise of a Public Relations Consultant to work as an intermediary between the public and the Group; and effectively disseminate and communicate its mission, policies and goals to the public.

Board Induction and Continuous Skills Development

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

On completion of the Board the following areas were highlighted for future training;

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

Code of Conduct & Ethics

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

The Whistle-Blowing Policy, which is on the Group's website, sets out the Board of Directors', managements' and staff members' commitment to upholding the highest levels of integrity and observance of the rule of law.

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

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

Legal Compliance Audit and Reporting

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

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

External Auditors

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

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

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

The External Auditors attended the two meetings of the Audit and Risk Committee, one to present their 2018 Audit findings report and the second one to present their audit service plan for the year ended 31 December 2019.

Internal Control and Risk Management Systems

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

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

Internal Control and Risk Management Systems (continued)

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

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

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

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

Relationship with Shareholders and other Stakeholders

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

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

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

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

Going Concern

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

BY ORDER OF THE BOARD

K R SHAH
19 March 2020

C J FLOWERS
19 March 2020

2019 BOARD & BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Classification	Designation		Board	Audit & Risk	Nomination & Remuneration
Mr Nicholas Nganga	Non-Executive	Chairman of the Nomination and Remuneration Committee	Membership	✓	✓	✓
			Attendance	4/4	2/2	1/1
Mr Christopher Flowers	Executive	Managing Director	Membership	✓		✓
			Attendance	4/4	2/2	1/1
Mr Graham Mclean	Non-Executive	Chairman of the Board	Membership	✓		✓
			Attendance	4/4		1/1
Mr Daniel Ndonye	Non-Executive	Chairman of the Audit and Risk Committee	Membership	✓	✓	✓
			Attendance	4/4	2/2	1/1
Mr Stephen Waruhiu	Non-Executive		Membership	✓	✓	✓
			Attendance	4/4	2/2	1/1
Mr Andrew Njoroge	Non-Executive		Membership	✓	✓	✓
			Attendance	4/4	2/2	1/1
Mr Kenneth W. Tarplee	Non-Executive		Membership	✓	✓	✓
			Attendance	0/4	0/2	0/1
Mr Ketan Shah	Executive	Finance Director	Membership	✓		✓
			Attendance	4/4	2/2	1/1

✓ Member of the respective committee

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

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

INTRODUCTION

We have carried out a Governance Audit of Kakuzi Plc covering the year ended 31 December 2019 through which we reviewed the Governance Practices, Structures and Systems put in place by the Board of Directors.

BOARD RESPONSIBILITY

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

GOVERNANCE AUDITOR'S RESPONSIBILITY

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

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

OPINION

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

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

Lucy Njoroge
Nairobi, Kenya

19 March 2020

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

Nomination & Remuneration Committee

Details of the Nomination and Remuneration Committee are set out on page 16.

Policy on Directors Remuneration

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

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

Service Contracts

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

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

Directors' Remuneration

The following section has been audited:

The Executive Directors' remuneration (including value of benefits in kind) charged to the Company and included in the Related Party transactions (Note 28 (ii)) is as follows:-

	2019 Shs'000	2018 Shs'000
Managing Director (Mr C J Flowers)	10,654	8,931
Finance Director (Mr K R Shah)	15,673	14,629
	26,327	23,560

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

	2019 Directors' Fees Shs'000	2018 Directors' Fees Shs'000	2019 Benefits in kind Shs'000	2018 Benefits in kind Shs'000	2019 Total Shs'000	2018 Total Shs'000
Non-Executive						
Mr G H Mclean	1,535	1,630	-	-	1,535	1,630
Mr K W Tarplee	1,000	1,475	94	84	1,094	1,559
Mr N Nganga	1,680	1,790	94	85	1,774	1,875
Mr D M Ndonye	1,695	1,790	93	85	1,788	1,875
Mr S N Waruhiu	1,665	1,570	93	85	1,758	1,655
Mr A N Njoroge	1,665	1,570	93	85	1,758	1,655
	9,240	9,825	467	424	9,707	10,249

BY ORDER OF THE BOARD

K R SHAH
19 March 2020

C J FLOWERS
19 March 2020

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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 27 to 80, which comprise the consolidated and separate statements of financial position at 31 December 2019 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 2019 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 935,355,000 (2018: Sh 872,955,000) 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 to the consolidated and separate financial statements, the key assumptions and estimates include expected future market prices, costs to sell and applicable adjustments for 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 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 analyses. In addition, we tested a selection of data inputs used against the 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. We also validated the underlying data of acreage and age of plantations used by the 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, Chairman's Statement, Report of the Directors, Statement of Directors' Responsibilities, Statement on Corporate Governance, Directors' Remuneration Report, Corporate Governance Auditor's 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.

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 9 to 10 is consistent with the consolidated and separate financial statements.

Directors' Remuneration Report

In our opinion the auditable part of the Director's Remuneration report on page 22 has been prepared in accordance with the Kenyan Companies Act, 2015.

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya **19 March 2020**

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

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

	Notes	2019 Shs'000	2018 Shs'000
		Year ended 31 December	
Sales	5	2,888,662	3,152,831
Gains arising from changes in fair value less costs to sell of non-current biological assets	6(i)	83,414	74,082
		2,972,076	3,226,913
Cost of sales		(1,556,400)	(1,742,270)
Gross profit		1,415,676	1,484,643
Other income	7	20,576	18,678
Selling and Distribution costs		(531,280)	(942,568)
Operating profit		904,972	560,753
Interest income	8	117,021	125,672
Finance costs	8	(7,516)	(2,342)
Profit before income tax	5	1,014,477	684,083
Income tax expense	11(a)	(301,038)	(202,489)
Profit for the year		713,439	481,594
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit obligations (net of tax)	11(c)	11,810	3,046
Total comprehensive income for the year		725,249	484,640
Earnings per share (Shs):			
Basic and diluted earnings per ordinary share	12	36.40	24.57

The notes on pages 33 to 80 are an integral part of these consolidated and separate financial statements.

Consolidated statement of financial position

	Notes	31 December 2019 Shs'000	31 December 2018 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		31,463	19,653
Retained earnings		4,814,462	4,375,423
Proposed dividend	12(ii)	274,400	176,400
Total equity		5,218,325	4,669,476
Non current liabilities			
Deferred income tax	15	932,166	813,557
Post employment benefit obligations	16	74,500	68,045
Lease obligations	17	381	-
		1,007,047	881,602
Total equity and non current liabilities		6,225,372	5,551,078
Non current assets			
Property, plant and equipment	18	2,913,234	2,705,521
Biological assets	6(i)	715,376	684,202
Prepaid operating lease rentals	19	-	4,379
Right of use assets	20	4,781	-
Financial assets held at amortised cost	22	200,000	200,000
Non current receivables	24	34,624	30,023
		3,868,015	3,624,125
Current assets			
Biological assets – growing agricultural produce	6(ii)	219,979	188,753
Inventories	23	401,693	169,476
Receivables and prepayments	24	275,218	360,786
Current tax recoverable	11(d)	-	81,582
Financial assets held at amortised cost	22	-	15,385
Cash and cash equivalents	26	1,696,130	1,500,935
		2,593,020	2,316,917
Current liabilities			
Payables and accrued expenses	25	181,711	362,776
Current tax payable	11(d)	35,355	-
Lease obligations	17	31	-
Post employment benefit obligations	16	18,566	27,188
		235,663	389,964
Net current assets		2,357,357	1,926,953
		6,225,372	5,551,078

The notes on pages 33 to 80 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 27 to 80 were approved for issue by the board of Directors on 19 March 2020 and signed on its behalf by:

K R SHAH
DIRECTOR

C J FLOWERS
DIRECTOR

Separate statement of financial position

	Notes	31 December 2019 Shs'000	31 December 2018 Shs'000
EQUITY			
Share capital	13	98,000	98,000
Other reserves		31,463	19,653
Retained earnings		4,810,321	4,371,282
Proposed dividend	12(ii)	274,400	176,400
Total equity		5,214,184	4,665,335
Non current liabilities			
Deferred income tax	15	932,166	813,557
Post employment benefit obligations	16	74,500	68,045
Lease obligations	17	381	-
		1,007,047	881,602
Total equity and non current liabilities		6,221,231	5,546,937
Non current assets			
Property, plant and equipment	18	2,913,234	2,705,521
Biological assets	6(i)	715,376	684,202
Prepaid operating lease rentals	19	-	4,379
Right of use assets	20	4,781	-
Investment in subsidiaries	21	4,295	4,295
Financial assets held at amortised cost	22	200,000	200,000
Non current receivables	24	34,624	30,023
		3,872,310	3,628,420
Current assets			
Biological assets – growing agricultural produce	6(ii)	219,979	188,753
Inventories	23	401,693	169,476
Receivables and prepayments	24	275,218	360,786
Current tax recoverable	11(d)	-	81,529
Financial assets held at amortised cost	22	-	15,385
Cash and cash equivalents	26	1,696,130	1,500,935
		2,593,020	2,316,864
Current liabilities			
Payables and accrued expenses	25	190,094	371,159
Current tax payable	11(d)	35,408	-
Lease obligations	17	31	-
Post employment benefit obligations	16	18,566	27,188
		244,099	398,347
Net current assets		2,348,921	1,918,517
		6,221,231	5,546,937

The notes on pages 33 to 80 are an integral part of these consolidated and separate financial statements.

The consolidated and separate financial statements on pages 27 to 80 were approved for issue by the board of Directors on 19 March 2020 and signed on its behalf by:

K R SHAH
DIRECTOR

C J FLOWERS
DIRECTOR

Consolidated statement of changes in equity

	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
Year ended 31 December 2019					
At start of year	98,000	19,653	4,375,423	176,400	4,669,476
Total comprehensive income for the year:					
Profit for the year	-	-	713,439	-	713,439
Other comprehensive income	-	11,810	-	-	11,810
Total	-	11,810	713,439	-	725,249
Transactions with owners:					
Dividends:					
- Final for 2018	-	-	-	(176,400)	(176,400)
- Proposed for 2019	-	-	(274,400)	274,400	-
Total	-	-	(274,400)	98,000	(176,400)
At end of year	98,000	31,463	4,814,462	274,400	5,218,325
Year ended 31 December 2018					
At start of year	98,000	16,607	4,070,229	137,200	4,322,036
Total comprehensive income for the year:					
Profit for the year	-	-	481,594	-	481,594
Other comprehensive income	-	3,046	-	-	3,046
Total	-	3,046	481,594	-	484,640
Transactions with owners:					
Dividends:					
- Final for 2017	-	-	-	(137,200)	(137,200)
- Proposed for 2018	-	-	(176,400)	176,400	-
Total	-	-	(176,400)	39,200	(137,200)
At end of year	98,000	19,653	4,375,423	176,400	4,669,476

The notes on pages 33 to 80 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 2019					
At start of year	98,000	19,653	4,371,282	176,400	4,665,335
Total comprehensive income for the year:					
Profit for the year	-	-	713,439	-	713,439
Other comprehensive income	-	11,810	-	-	11,810
Total	-	11,810	713,439	-	725,249
Transactions with owners:					
Dividends:					
- Final for 2018	-	-	-	(176,400)	(176,400)
- Proposed for 2019	-	-	(274,400)	274,400	-
Total	-	-	(274,400)	98,000	(176,400)
At end of year	98,000	31,463	4,810,321	274,400	5,214,184
Year ended 31 December 2018					
At start of year	98,000	16,607	4,066,088	137,200	4,317,895
Total comprehensive income for the year:					
Profit for the year	-	-	481,594	-	481,594
Other comprehensive income	-	3,046	-	-	3,046
Total	-	3,046	481,594	-	484,640
Transactions with owners:					
Dividends:					
- Final for 2017	-	-	-	(137,200)	(137,200)
- Proposed for 2018	-	-	(176,400)	176,400	-
Total	-	-	(176,400)	39,200	(137,200)
At end of year	98,000	19,653	4,371,282	176,400	4,665,335

The notes on pages 33 to 80 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 2019 Shs'000	2018 Shs'000
Operating activities			
Cash generated from operations	27	739,144	583,923
Interest received	8	117,021	125,672
Interest paid on lease liabilities	8	(33)	-
Income tax paid	11(d)	(70,554)	(348,405)
Net cash generated from operating activities		785,578	361,190
Investing activities			
Purchase of property, plant and equipment	18	(409,466)	(469,156)
Purchase of biological assets and development	6(i)	(18,727)	(29,820)
Proceeds from disposal of property, plant and equipment		6,308	4,641
Proceeds from redemption of financial assets held at amortised cost	22	15,385	124,873
Net cash used in investing activities		(406,500)	(369,462)
Financing activities			
Dividend paid	12(ii)	(176,400)	(137,200)
Net cash used in financing activities		(176,400)	(137,200)
Net increase/(decrease) in cash and cash equivalents		202,678	(145,472)
Movement in cash and cash equivalents			
At start of year		1,500,935	1,648,749
Net increase/(decrease) in cash and cash equivalents		202,678	(145,472)
Effect of exchange rate differences on cash and cash equivalents	8	(7,483)	(2,342)
At end of year	26	1,696,130	1,500,935

The notes on pages 33 to 80 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 and sale of beef
- Blueberries development

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) Application of new and revised IFRSs

(i) New and amended IFRS Standards that are effective for the current year ended 31 December 2019

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

Notes (continued)

2 Accounting policies (continued)

(b) Application of new and revised IFRSs (continued)

(i) New and amended IFRS Standards that are effective for the current year ended 31 December 2019 (continued)

Impact of initial application of IFRS 16 Leases (continued)

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, with no restatement of the comparative information.

(a) Impact of the new definition of a lease

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group has recognised a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lease liability has been measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group has recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17 by choosing, on a lease-by-lease basis, to measure that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Notes (continued)

2 Accounting policies (continued)

(b) Application of new and revised IFRSs (continued)

(i) New and amended IFRS Standards that are effective for the current year ended 31 December 2019 (continued)

Impact of initial application of IFRS 16 Leases (continued)

(b) Impact on Lessee Accounting (continued)

(i) Former operating leases (continued)

d) Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

e) Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

f) For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within ‘other expenses’ in profit or loss.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group’s consolidated financial statements.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Notes (continued)

2 Accounting policies (continued)

(b) Application of new and revised IFRSs (continued)

(i) New and amended IFRS Standards that are effective for the current year ended 31 December 2019 (continued)

Impact of initial application of IFRS 16 Leases (continued)

(d) Financial impact of the initial application of IFRS 16

	2019 Shs’000	2018 Shs’000
Impact on profit or loss		
Increase in depreciation of right-of-use asset	10	-
Increase in finance cost	33	-
Decrease in profit for the year	43	-

For tax purposes, the depreciation expense in respect of the right-of-use assets has not been treated as tax allowable deductions.

Under IFRS 16, lessees must present cash payments for the principal portion for a lease liability, as part of financing activities. Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. There was no impact on the net cash generated by operating activities and net cash used in financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities.

The adoption of IFRS 16 did not have an impact on net cash flows.

In the current year, the Group has adopted a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the ‘solely payments of principal and interest’ (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The amendments to the standard had no impact on the Group’s financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of longterm interests required by IAS 28 (i.e., adjustments to the carrying amount of longterm interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments to the standard had no impact on the Group’s financial statements.

Notes (continued)

2 Accounting policies (continued)

(b) Application of new and revised IFRSs (continued)

(i) New and amended IFRS Standards that are effective for the current year ended 31 December 2019 (continued)

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IAS 12 Income Taxes, IAS 23 Borrowing costs, IFRS 11 Joint Arrangements

The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards and had no impact on the Group's financial statements:

IFRS 3 Business Combination

The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation as fair value. The PHI to be remeasured includes any unrecognized assets liabilities and goodwill relating to the joint operation.

IAS 12 Income Taxes

The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its previously held interests in the joint operation.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Group has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments to the standards had no impact on the Group's financial statements.

Notes (continued)

2 Accounting policies (continued)

(b) Application of new and revised IFRSs (continued)

(i) New and amended IFRS Standards that are effective for the current year ended 31 December 2019 (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a Group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The amendments to the standard had no impact on the Group's financial statements.

(ii) New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not adopted 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*
IFRS 17-*Insurance*	1 January 2021, with earlier application permitted
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	Yet to be set, however earlier application permitted
Amendments to IFRS 3 *Definition of a business*	1 January 2020, with earlier application permitted
Amendments to IAS 1 and IAS 8- *Definition of material*	1 January 2020, with earlier application permitted
Conceptual Framework: *Amendments to References to the Conceptual Framework in IFRS standards*	1 January 2020, with earlier application permitted

Notes (continued)

2 Accounting policies (continued)

(b) Application of new and revised IFRSs (continued)

(ii) New and revised IFRS Standards in issue but not yet effective

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

1) IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and separate financial statements because the group does not have insurance contracts.

2) IFRS 10 and IAS 28 (amendments) 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 IASB; 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 (continued)

2 Accounting policies (continued)

(b) Application of new and revised IFRSs (continued)

(ii) New and revised IFRS Standards in issue but not yet effective (continued)

3) Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application 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.

4) Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.
The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term ‘material’ to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

5) Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the* Conceptual Framework in *IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application 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 (continued)

2 Accounting policies (continued)

(b) Application of new and revised IFRSs (continued)

(iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2019.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently.

(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.

Notes (continued)

2 Accounting policies (continued)

(d) Segment reporting

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

(e) Revenue recognition

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

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

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

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

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

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

(f) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Notes (continued)

2 Accounting policies (continued)

(g) Property, plant and equipment

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

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

Bearer plants are classified as immature until the produce can be commercially harvested and are classified as capital work in progress. At that point they are reclassified to bearer plants and depreciation commences. Immature plantations are measured at accumulated cost.

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

	Immature period	**Estimated useful life**
Buildings, dams and improvements		20 – 50 years
Plant and machinery		10 – 13 years
Motor vehicles, tractors, trailers & implements		4 – 10 years
Furniture, fittings and equipment		3 – 8 years
Bearer plants:		
- Avocado trees	4 years	25 years
- Macadamia trees	6 years	30 years
- Pineapple crop	1 year	2 years
- Tea bushes	4 years	50 years
Capital work in progress is not depreciated		

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

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

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

(h) Biological assets

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

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

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

Notes (continued)

2 Accounting policies (continued)

(h) Biological assets (continued)

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

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

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

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

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

(i) Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).

Notes (continued)

2 Accounting policies (continued)

(i) Leases (continued)

- 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 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.

(ii) Inventories

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

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

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

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

(k) Payables

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

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

(l) Share capital

Ordinary shares are classified as equity.

Notes (continued)

2 Accounting policies (continued)

(m) Cash and cash equivalents

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

(n) Financial instruments

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

Treasury and corporate bonds

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

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

Trade receivables

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

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

Amortised cost and effective interest method

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

Impairment of financial assets

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

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

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

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

Notes (continued)

2 Accounting policies (continued)

(n) Financial instruments (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

(ii) Definition of default

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

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

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

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

(iii) Measurement and recognition of expected credit losses

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

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

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

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

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

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

(o) Employee benefits

(i) Post employment benefits obligations

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

Notes (continued)

2 Accounting policies (continued)

(o) Employee benefits (continued)

(i) Post employment benefits obligations (continued)

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 comprehensive income within 'cost of production' in the year in which they fall due.

(ii) Other entitlements

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

(p) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

Notes (continued)

2 Accounting policies (continued)

(p) Current and deferred income tax (continued)

(ii) Deferred income tax (continued)

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).

(r) Operating leases (for periods ended 31 December 2018)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income within 'cost of production' on a straight-line basis over the period of the lease.

3 Critical accounting estimates, judgements and assumptions

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

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

(a) Critical accounting estimates and assumptions

(i) Bearer plants

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

(ii) Biological assets

Critical assumptions are made by the Directors and the independent valuer in determining the fair values of biological assets. The key assumptions relate to estimate of future market prices as adjusted for age and condition of the assets.

(iii) Growing agricultural produce

Critical judgement has been made in determining the fair value of growing agricultural produce on bearer plant. The key assumptions include the market prices and stage of growth at reporting date based on past experience.

Notes (continued)

3 Critical accounting estimates, judgements and assumptions (continued)

(a) Critical accounting estimates and assumptions (continued)

(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.

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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for accounts receivable and cash and cash equivalents at the reporting date. A 5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At 31 December 2019, if the Shilling was weaker/stronger by 5% (2018: 5%) against the US dollar with all other variables held constant, the Group and Company post tax profit would have been Shs 15,132,000 (2018: Shs 3,468,000) higher/lower mainly as a result of US dollar deposits and trade receivables.

At 31 December 2018 if the Shilling was weaker/stronger by 5% (2018: 5%) against the Euro with all other variables held constant, the Group and Company post tax profit would have been Shs 338,000 higher/lower (2018: Shs 600,000).

(ii) Price risk

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

(iii) Interest rate risk

The Group and Company has interest earning deposits, whose income would be subject to interest rate risk. An increase/ decrease in interest rates of 5% (2018: 5%) would have resulted in an increase/ decrease in Group and Company post tax profit of Shs 993,000 (2018: Shs 979,000).

(iv) Commodity price risk

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

If the commodity prices had been 5% higher/(lower) as of December 2019, profit after tax would have been Shs 155,189,000 (2018: Shs 147,591,000) higher/(lower).

Credit risk

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

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December 2019 is the carrying value of the financial assets in the statement of financial position.

The Group holds collateral amounting to Shs 44,090,000 (2018: Shs 52,220,000) in respect of staff loans amounting to Shs 41,568,859 (2018: Shs 37,430,442) 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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

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

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:

31/12/2019	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					Shs'000	Shs'000	Shs'000
Trade and other receivables	24	N/A	Performing	Lifetime ECL (simplified approach)	29,555	(4,934)	24,621
Financial assets held at amortized cost	22	B2	N/A	12-month ECL	200,000	-	200,000

31/12/2018	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					Shs'000	Shs'000	Shs'000
Trade and other receivables	24	N/A	Performing	Lifetime ECL (simplified approach)	100,485	(4,834)	95,651
Financial assets held at amortized cost	22	B2	N/A	12-month ECL	218,446	(3,061)	215,385

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.
Directors monitor rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

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 2019:				
- Trade and other payables	181,711	-	-	-
At 31 December 2018:				
- Trade and other payables	362,776	-	-	-

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 2019:				
- Trade and other payables	190,094	-	-	-
At 31 December 2018:				
- Trade and other payables	371,159	-	-	-

Capital management

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

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

Fair value estimation

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

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

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

Notes (continued)

5 Segmental reporting - Group

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

The Group operates in two geographical areas in Kenya, Makuyu and Nandi Hills, and under several operating segments. The principal operating segments currently consist of Avocados, Macadamia, Tea and Forestry. The business activities of livestock, joint projects and blueberries are included under "all other segments" as they individually fall below the threshold of 10% of Group sales. There is no single customer whose revenue amounts to 10% or more of the Groups revenue.

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

Segment assets consist primarily of property, plant and equipment, biological assets, inventories, receivables and prepayments. Unallocated assets are 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, borrowings and non-current liabilities. The segment information for the reportable segments for the year ended 31 December 2019 and 31 December 2018 is as follows:

	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Tea		Avocados*		Madacamia		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 to external customers												
Sales	202,390	303,573	1,861,707	2,115,836	502,423	368,618	294,097	309,849	28,045	54,955	2,888,662	3,152,831
Comprising												
Major external customers sales	202,390	303,573	1,813,562	2,020,506	472,472	355,759	-	-	-	-	2,488,424	2,679,838
All other external customers sales	-	-	48,145	95,330	29,951	12,859	294,097	309,849	28,045	54,955	400,238	472,993
	202,390	303,573	1,861,707	2,115,836	502,423	368,618	294,097	309,849	28,045	54,955	2,888,662	3,152,831
Geographical analysis												
UK & Continental Europe	-	-	1,813,562	2,020,506	-	-	-	-	-	-	1,813,562	2,020,506
Kenya	202,390	303,573	48,145	95,330	29,951	12,859	294,097	309,849	28,045	54,955	602,628	776,566
Others	-	-	-	-	472,472	355,759	-	-	-	-	472,472	355,759
	202,390	303,573	1,861,707	2,115,836	502,423	368,618	294,097	309,849	28,045	54,955	2,888,662	3,152,831

Notes (continued)

5 Segmental reporting - Group (continued)

	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	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	125,155	80,359	1,409,691	1,426,290	326,367	255,847	84,082	124,922	(52,745)	9,243	1,892,550	1,896,661
Depreciation charge	(14,590)	(14,356)	(73,616)	(77,292)	(65,750)	(58,288)	(4,793)	(5,422)	(38,354)	(27,624)	(197,103)	(182,982)
Changes in fair value of non-current biological assets	-	-	-	-	-	-	31,161	34,374	52,253	39,708	83,414	74,082
Gross profit/(loss)	110,565	66,003	1,336,075	1,348,998	260,617	197,559	110,450	153,874	(38,846)	21,327	1,778,861	1,787,761
Selling and distribution costs	-	-	(511,772)	(925,838)	(19,249)	(16,730)	-	-	(259)	-	(531,280)	(942,568)
Segment profit	110,565	66,003	824,303	423,160	241,368	180,829	110,450	153,874	(39,105)	21,327	1,247,581	845,193
Other income	5,602	3,548	-	-	-	-	-	-	14,974	15,130	20,576	18,678
Interest income	-	-	-	-	-	-	-	-	117,021	125,672	117,021	125,672
Finance costs	-	-	-	-	-	-	-	-	(7,516)	(2,342)	(7,516)	(2,342)
Unallocated admin expenditure	-	-	-	-	-	-	-	-	(363,185)	(303,118)	(363,185)	(303,118)
Profit/(loss) before income tax	116,167	69,551	824,303	423,160	241,368	180,829	110,450	153,874	(277,811)	(143,331)	1,014,477	684,083
Income tax expense	(34,472)	(20,587)	(244,605)	(125,257)	(71,624)	(53,526)	(32,775)	(45,547)	82,438	42,428	(301,038)	(202,489)
Profit/(loss) for the year	81,695	48,964	579,698	297,903	169,744	127,303	77,675	108,327	(195,373)	(100,903)	713,439	481,594
Assets (all located in Kenya)												
Segment assets	610,131	674,099	1,461,554	1,188,340	1,197,630	1,070,543	1,070,039	729,416	384,585	435,719	4,723,939	4,098,117
Unallocated assets											1,737,096	1,842,925
											6,461,035	5,941,042
Liabilities												
Segment liabilities	19,259	147,058	-	-	-	-	-	-	167,627	190,860	186,886	337,918
Unallocated liabilities											1,055,824	933,648
											1,242,710	1,271,566
Additions												
Property, plant and equipment	246	1,042	232,092	122,947	134,637	112,303	1,239	1,672	41,252	231,192	409,466	469,156
Biological assets	-	-	-	-	-	-	18,727	17,254	-	12,566	18,727	29,820
	246	1,042	232,092	122,947	134,637	112,303	19,966	18,926	41,252	243,758	428,193	498,976

Notes (continued)

5 Segmental reporting - Group (continued)

***Avocados**

Smallholder and Outgrowers Hass Avocados

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

		2019		2018
Number of cartons exported		185,534		626,956
Number of cartons sold		182,880		626,956
		Shs'000		Shs'000
Gross Export sales		189,585		366,943
Selling and distribution costs		(66,505)		(196,060)
Net Export sales		123,080		170,883
Local sales		6,265		41,022
Packing expenses		(20,806)		(62,099)
Closing stock		1,687		-
Net return		110,226		149,806
Paid to smallholders and outgrowers	(85%)	**(93,548)**	(104%)	**(155,256)**
Trading Profit/(loss)		16,678		(5,450)
Extension services expenses		(4,386)		(3,639)
Profit/(loss) before income tax		12,292		(9,089)

Notes (continued)

6 Biological assets – Group and Company

(i) Non current assets

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

	Livestock Shs'000	Plantation Shs'000	Total Shs'000
Year ended 31 December 2019			
At start of year	128,552	555,650	684,202
Increase due to purchases and development	-	18,727	18,727
Gains arising from changes in fair value less costs to sell due to physical change and price changes	52,253	31,161	83,414
Decrease due to harvest and sales	(35,729)	(35,238)	(70,967)
At end of year	145,076	570,300	715,376
Year ended 31 December 2018			
At start of year	126,933	536,900	663,833
Increase due to purchases and development	12,566	17,254	29,820
Gains arising from changes in fair value less costs to sell due to physical change and price changes	39,708	34,374	74,082
Decrease due to harvest and sales	(50,655)	(32,878)	(83,533)
At end of year	128,552	555,650	684,202

There are no biological assets whose title is restricted or pledged as security for liabilities as at 31 December 2019 (2018: Nil).

There were no commitments for development or acquisition of biological assets as at 31 December 2019 (2018: Nil)

(ii) Current assets

Growing agricultural produce on bearer plants as at the reporting date

	2019 Shs'000	2018 Shs'000
Avocado	148,366	128,644
Macadamia	68,932	57,708
Tea	2,681	2,401
	219,979	188,753

Notes (continued)

6 Biological assets – Group and Company (continued)

Biological assets are carried at fair value at the end of each reporting period.

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

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

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

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

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 2019					
Livestock	Market approach	-	145,076	-	145,076
Avocado	Market approach	-	-	148,366	148,366
Tea	Market approach	-	2,681	-	2,681
Forestry	Market approach	-	570,300	-	570,300
Macadamia	Market approach	-	-	68,932	68,932
		-	718,057	217,298	935,355
Year ended 31 December 2018					
Livestock	Market approach	-	128,552	-	128,552
Avocado	Market approach	-	-	128,644	128,644
Tea	Market approach	-	2,401	-	2,401
Forestry	Market approach	-	555,650	-	555,650
Macadamia	Market approach	-	-	57,708	57,708
		-	686,603	186,352	872,955

There were no transfers between any levels during the year.

Notes (continued)

6 Biological assets – Group and Company (continued)

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

Year ended 31 December 2019

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Avocado Produce	148,366	Market approach	Yield - Kgs per Hectare	18,060	The higher the yield, the higher the value
			Net price per carton	€4.49 – €4.80	The higher the market price, the higher the fair value
			Stage of growth	12% – 15%	The higher the stage of growth, the higher the fair value

Year ended 31 December 2018

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	128,644	Market approach	Yield - Kgs per Hectare	19,100	The higher the yield, the higher the value
			Net price per carton	€3.98 – €4.81	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

Notes (continued)

6 Biological assets – Group and Company (continued)

The following unobservable inputs at the year end were used to measure the Group's macadamia growing agricultural produce

Year ended 31 December 2019

Description	Fair value at 31 December Shs'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Macadamia Produce	68,932	Market approach	Yield Kgs/Ha	643	The higher the yield, the higher the value
			Net price per kg of Saleable Kernel	USD16.76	The higher the market price, the higher the fair value
			Stage of growth	40% - 45%	The higher the stage of growth, the higher the fair value

Year ended 31 December 2018

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	57,708	Market approach	Yield Kgs/Ha	615	The higher the yield, the higher the value
			Net price per kg of Saleable Kernel	USD17.05	The higher the market price, the higher the fair value
			Stage of growth	40% - 45%	The higher the stage of growth, the higher the fair value

Notes (continued)

6 Biological assets – Group and Company (continued)

	2019 Hectares	2018 Hectares
Areas planted at the year end:		
Forestry plantations	1,834	1,813

	Head	Head
Cattle numbers at the year end	4,396	4,436

	2019 Hectares	2018 Hectares	Metric tonnes	Metric tonnes
Areas planted with various crops and output of agricultural produce during the year:				
Tea (green leaf)	510	510	5,590	7,195
Avocado	797	717	7,145	10,819
Pineapple	-	-	-	404
Macadamia	1,032	1,032	1,248	830

	Cubic metres	Cubic metres
Timber harvested during the year was:	7,552	7,823

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.

Notes (continued)

6 Biological assets – Group and Company (continued)

	2019 Shs'000	2018 Shs'000
Fair value of the agricultural produce harvested during the year after deducting costs to sell:		
Tea (green leaf)	202,390	303,572
Avocado	1,221,452	977,373
Pineapple	-	12,207
Macadamia	483,543	352,386
Others	278,633	306,651
	2,186,018	1,952,189

Other agricultural produce relates to forestry and livestock operations.

7 Other income – Group and Company

	2019 Shs'000	2018 Shs'000
Net foreign exchange gain other than cash and cash equivalents	1,232	693
Gain on disposal of property, plant and equipment	1,658	4,604
Rental Income	3,890	3,848
Sundry	13,796	9,533
	20,576	18,678

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

8 Interest income and finance costs — Group and Company

	2019 Shs'000	2018 Shs'000
Interest income		
Interest income on short term bank deposits	117,021	125,672
Finance costs		
Interest on lease liabilities	(33)	-
Net exchange losses on foreign currency cash & cash equivalents	(7,483)	(2,342)
	(7,516)	(2,342)
Net interest income and finance costs	109,505	123,330

Notes (continued)

9 Expenses by nature – Group and Company

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

	2019 Shs'000	2018 Shs'000
Depreciation on property, plant and equipment (Note 18)	197,103	182,982
Repairs and maintenance expenditure on property, plant and equipment	83,882	76,035
Depreciation of right of use assets (Note 20)	10	-
Amortisation of prepaid operating lease rentals (Note 19)	-	5
Gains arising from changes in fair value less costs to sell of non-current biological assets (Note 6 (i))	(83,414)	(74,082)
Cost of inventories sold	1,256,499	1,614,653
Employee benefits expense (Note 10)	697,437	655,297
Auditor's remuneration	6,395	6,090
Gain on disposal of property plant and equipment	(1,658)	(4,604)
Directors remuneration	9,707	10,249

10 Employee benefits expense – Group and Company

The following items are included within employee benefits expense:

	2019 Shs'000	2018 Shs'000
Salaries and wages	659,443	621,907
Post employment benefits costs:		
- Post employment benefit obligations (Note 16)	19,141	17,277
- Defined contribution pension scheme	6,349	4,575
- National Social Security Fund	12,504	11,538
	697,437	655,297

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

	2019	2018
Management	63	59
Permanent unionisable employees	756	778
Other unionisable employees	2,188	2,102
	3,007	2,939

Notes (continued)

11 Income tax – Group and Company

(a) Taxation charge

	2019 Shs'000	2018 Shs'000
Current tax		
Current tax on profit for the year	187,491	136,187
Prior year over provision	-	(2,174)
Total current tax expense	187,491	134,013
Deferred income tax charge (Note 15)	113,547	68,476
Income tax expense	301,038	202,489

(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:

	2019 Shs'000	2018 Shs'000
Profit before income tax	1,014,477	684,083
Tax calculated at the statutory income tax rate of 30% (2018: 30%)	304,343	205,225
Tax effect of:		
Under provision of deferred tax in prior years	-	1,962
Income not subject to income tax	(9,305)	(8,699)
Expenses not deductible for income tax purposes	6,000	6,175
Over provision of current income tax in prior year	-	(2,174)
Taxation charge	301,038	202,489

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

	2019 Shs'000	2018 Shs'000
Remeasurement of post-employment benefit obligations:		
Actuarial gain (Note 16)	16,872	4,352
Charge to other comprehensive income (Note 15)	(5,062)	(1,306)
Net charge to other comprehensive income	11,810	3,046

Notes (continued)

11 Income tax – Group and Company (Continued)

(d) Current tax payable/ (recoverable)

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
At start of year	(81,582)	132,810	(81,529)	132,863
Taxation charge (Note 11 (a))	187,491	134,013	187,491	134,013
Paid during the year	(70,554)	(348,405)	(70,554)	(348,405)
At end of year	35,355	(81,582)	35,408	(81,529)

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 2019 and 31 December 2018 as follows:-

	2019	2018
Profit attributable to equity holders of the Group (Shs '000)	713,439	481,594
Number of ordinary shares in issue (thousands)	19,600	19,600
Basic and diluted earnings per ordinary share (Shs)	36.40	24.57

The Group had no potentially dilutive ordinary shares outstanding at 31 December 2019 and 31 December 2018.

ii) Dividends per ordinary share

At the annual general meeting to be held on 19 May 2020, the Directors will recommend the payment of a first and final dividend of 280% (2018: 180%) of par value equivalent to Shs 14.00 per ordinary share (Shs 274,400,000 in respect of the year ended 31 December 2019 ((2018: Shs 9.00 per ordinary share) (Shs 176,400,000))((2017: Shs 700 per ordinary shares (Shs 137,200,000)).

13 Share capital

	Number of ordinary shares (Thousands)	Ordinary share capital Shs '000
Authorised		
At 1 January 2018, 31 December 2018 and 31 December 2019	20,000	100,000
Issued		
At 1 January 2018, 31 December 2018 and 31 December 2019	19,600	98,000

The par value of the shares is Shs 5

Notes (continued)

14 Borrowing facilities – Group and Company

	2019 Shs'000	2018 Shs'000
The Group has the following undrawn committed borrowing facilities:		
Floating rate (expiring within one year)	426,300	626,300

The facilities are subject to annual review at various dates during the year 2020.

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% (2018: 30%). The net deferred taxation liability is attributable to the following items:

	2019 Shs'000	2018 Shs'000
Property, plant and equipment	742,482	672,510
Biological assets	237,084	223,320
Other temporary differences	(47,400)	(82,273)
Net deferred income tax liability	932,166	813,557

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

	2019 Shs'000	2018 Shs'000
At start of year	813,557	743,775
Charge to profit or loss (Note 11(a))	113,547	68,476
Charge to other comprehensive income (Note 11(c))	5,062	1,306
At end of year	932,166	813,557

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

	2019 Shs'000	2018 Shs'000
Deferred income tax assets	(47,400)	(82,273)
Deferred income tax liabilities	979,566	895,830
	932,166	813,557

Notes (continued)

16 Post employment benefit obligations – Group and Company

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

	2019 Shs'000	2018 Shs'000
Present value of post employment benefit obligations	93,066	95,233
Split as follows:		
Non-current portion	74,500	68,045
Current portion	18,566	27,188

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

	2019 Shs'000	2018 Shs'000
At start of year	95,233	85,166
Net expense recognised in statement of profit or loss and other comprehensive income	2,269	12,925
Benefits paid	(4,436)	(2,858)
At end of year	93,066	95,233

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

	2019 Shs'000	2018 Shs'000
Current service cost	6,230	5,535
Past service cost	10	64
Interest on obligation	12,901	11,678
Total included in employee benefits expenses (Note 10)	19,141	17,277
Actuarial gain recognised in other comprehensive income (Note 11(c))	16,872	4,352

Notes (continued)

16 Post employment benefit obligations Group and Company (continued)

	31 December 2019			31 December 2018		
	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	67,178	28,055	95,233	58,097	27,069	85,166
Current service cost	4,520	1,710	6,230	3,930	1,605	5,535
Past service cost	-	10	10	64	-	64
Interest expense	9,169	3,732	12,901	7,929	3,749	11,678
	13,689	5,452	19,141	11,923	5,354	17,277
Remeasurements:						
Gain from change in assumptions	(7,402)	(7,915)	(15,317)	(1,590)	(4,162)	(5,752)
Experience (gains)/losses	(506)	(1,049)	(1,555)	1,400	-	1,400
	(7,908)	(8,964)	(16,872)	(190)	(4,162)	(4,352)
Benefits paid	(2,327)	(2,109)	(4,436)	(2,652)	(206)	(2,858)
At end of year	70,632	22,434	93,066	67,178	28,055	95,233

Notes (continued)

16 Post employment benefit obligations Group and Company (continued)

The principal actuarial assumptions used are as follows:

	Gratuity (Makuyu)		Gratuity (Nandi Hills)	
	2019	**2018**	**2019**	**2018**
Discount rate (% p.a.)	13%	13%	13%	13%
Future salary increases (% p.a.)				
first year	7.5%	10%	7.5%	10%
second year	7.5%	10%	7.5%	10%
Thereafter	7.5%	10%	7.5%	10%
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	60 years	55 years

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

	Impact on post employment benefit obligation	
	Changes in assumption	**Increase/Decrease in assumption**
Discount rate	by 1%	Shs 4,621,000
Salary growth rate	by 1%	Not material

Notes (continued)

16 Post employment benefit obligations Group and Company (continued)

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

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

Five year summary:	**2019 Shs'000**	**2018 Shs'000**	**2017 Shs'000**	**2016 Shs'000**	**2015 Shs'000**
Present value of post employment benefit obligations – Group and Company	93,066	95,233	85,166	76,492	72,000
Net expense/(income) recognised in the statement of profit or loss and other comprehensive income – Group and Company					
- within 'cost of sales'	19,141	17,277	16,065	15,116	14,359
- within 'other comprehensive income/(loss)	(11,810)	(3,046)	(1,735)	(5,936)	(4,955)

Notes (continued)

17 Lease obligations – Group and Company

	2019 Shs'000	2018 Shs'000
Undiscounted future minimum lease payment		
Under operating lease at 1 January	2,993	-
Impact of discounting	(2,548)	-
At 1 January	445	-

The movement in the lease liabilities is as follows:

	2019 Shs'000	2018 Shs'000
Balance at 1 January	445	-
Interest on lease liabilities	(33)	-
	412	-
Amounts due for settlement within 12 months	31	-
Amounts due for settlement after 12 months	381	-
	412	-
Year 1	31	-
Year 2	28	-
Year 3	26	-
Year 4	24	-
Year 5	23	-
Onwards	280	-
	412	-

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

Notes (continued)

18 Property, plant and equipment

Group and Company

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

Property, plant and equipment stated at cost of Shs 412,007,183 have been fully depreciated. The notional annual depreciation charge in respect of these values would have been Shs 65,262,957. There were no items of property, plant and equipment whose title were restricted or pledged as security for liabilities as at 31 December 2019 (2018: none).

Based on an impairment review performed by the directors at 31 December 2019, no indication of further impairment of property, plant and equipment were identified (2018: none).

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

Notes (continued)

18 Property, plant and equipment (continued)

Group and Company

Year ended 31 December 2018	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
Cost							
At start of year	1,230,229	1,266,160	279,890	273,826	96,355	413,410	3,559,870
Transfers	88,683	29,903	-	-	-	(118,586)	-
Additions	-	103,534	12,581	49,076	22,470	281,495	469,156
Disposals	-	(43,481)	(124)	(14,231)	(7,602)	-	(65,438)
At end of year	1,318,912	1,356,116	292,347	308,671	111,223	576,319	3,963,588
Depreciation and impairment							
At start of year	233,319	524,401	138,253	178,660	65,853	-	1,140,486
Charge for the year	67,835	37,468	22,646	33,245	21,788	-	182,982
Eliminated on disposals	-	(43,481)	(87)	(14,231)	(7,602)	-	(65,401)
At end of year	301,154	518,388	160,812	197,674	80,039	-	1,258,067
Net book amount	1,017,758	837,728	131,535	110,997	31,184	576,319	2,705,521
Depreciation and impairment at year end comprises:							
Depreciation	301,154	512,717	160,254	197,674	79,953	-	1,251,752
Impairment	-	5,671	558	-	86	-	6,315
	301,154	518,388	160,812	197,674	80,039	-	1,258,067

Property, plant and equipment stated at cost of Shs 422,069,499 have been fully depreciated. The notional annual depreciation charge in respect of these values would have been Shs 52,518,213. There were no items of property, plant and equipment whose title were restricted or pledged as security for liabilities as at 31 December 2018 (2017: none).

Based on an impairment review performed by the directors at 31 December 2018, no indication of further impairment of property, plant and equipment were identified (2017: none).

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

Notes (continued)

19 Prepaid operating lease rentals – Group and Company

	2019 Shs'000	2018 Shs'000
At start of year	4,379	4,384
Amortisation charge for the year	-	(5)
Reclassified to right of use asset (Note 20)	(4,379)	-
At end of year	-	4,379

20 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:

	2019 Shs'000	2018 Shs'000
Cost		
At start of year	-	-
Recognised on adoption of IFRS 16	412	-
Reclassified from prepaid operating lease rentals (Note 19)	4,379	-
At end of year	4,791	-
Depreciation		
At start of year	-	-
Charge for the year	(10)	-
At end of year	4,781	-
Amounts recognised in profit and loss		
Depreciation expense of right of use assets	10	-
Interest expenses on lease liabilities	33	-
	43	-

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 (2018: Nil).

Notes (continued)

21 Investment in subsidiaries

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 2019	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 2018	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 2019 and 31 December 2018.

22 Financial assets held at amortised cost – Group and Company

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

	Maturity rate Average Interest Rate	Maturity date	2019 Shs'000	2018 Shs'000
Kengen Limited	12.50%	31-Oct-19	-	15,385
Treasury Infrastructure Bonds	12.50%	18-Nov-24	200,000	200,000
			200,000	215,385

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

	2019 Shs'000	2018 Shs'000
At start of year	215,385	343,319
Redeemed in the year	(15,385)	(124,873)
Impairment during the year	-	(3,061)
At end of year	200,000	215,385
Non current portion	200,000	200,000
Current portion	-	15,385
	200,000	215,385

The Directors consider that the carrying amounts of the financial assets held to maturity in the consolidated financial statements approximate their fair values.

None of the financial assets had been pledged as collateral for liabilities or contingent liabilities as at 31 December 2019 (2018: Nil).

Notes (continued)

23 Inventories – Group and Company

	2019 Shs'000	2018 Shs'000
Spare parts and consumable materials	141,190	87,880
Avocado	108,368	-
Macadamia nuts	92,556	36,427
Blueberries	72	-
Poles & timber	59,507	45,169
Total inventories	401,693	169,476

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 1,256,499,000 (2018: Shs 1,614,653,000). There were no write downs during the year (2018: Nil)

24 Receivables and prepayments – Group and Company

	2019 Shs'000	2018 Shs'000
Trade receivables	29,555	100,485
Loss allowance	(4,934)	(4,834)
Trade receivables - net	24,621	95,651
Due from related companies (Note 28(v))	37,815	85,559
Staff debtors	41,569	37,430
Value Added Tax (VAT) Refunds receivable	107,253	104,047
Other receivables and prepayments	98,584	68,122
	309,842	390,809
Less non current portion	(34,624)	(30,023)
Current receivables & prepayments	275,218	360,786
Non current receivables	34,624	30,023

Other receivables comprise trade deposits and a shipping rebate

As at 1 January 2018, trade receivables from contracts with customers amounted to Shs 67,169,000 (net of loss allowance of Shs 4,528,000).

Non current receivables are due within five years from reporting date and are secured and interest free. None of the amounts were impaired (2018: Nil).

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

Trade Receivables

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

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

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

	Trade receivables – days past due					
31/12/2019 & 31/12/2018	**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%	0%	0%
	======	======	======	======	======	======

Notes (continued)

24 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 2018	-	4,528	4,528
Loss allowance charge for the year 2018	-	306	306
Balance as at 31 December 2018	-	4,834	4,834
Loss allowance charge for the year 2019	-	100	100
Balance as at 31 December 2019	-	4,934	4,934

25 Payables and accrued expenses

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Trade payables	73,458	110,312	73,458	110,312
Due to related companies (Note 28(v))	8	13,948	8,391	22,331
Accrued expenses	19,379	27,368	19,379	27,368
Leave obligations	23,727	24,181	23,727	24,181
Other payables	65,139	186,967	65,139	186,967
	181,711	362,776	190,094	371,159

Other payables relate to provisions and sundry payables.

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

	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
At start of year	24,181	20,751	24,181	20,751
Charge for the year	36,418	29,203	36,418	29,203
Paid during the year	(36,872)	(25,773)	(36,872)	(25,773)
At end of year	23,727	24,181	23,727	24,181

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

Notes (continued)

26 Cash and cash equivalents - Group and Company

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

	2019 Shs'000	2018 Shs'000
Cash at bank and in hand	82,892	77,963
Short term deposits	1,613,238	1,422,972
	1,696,130	1,500,935

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:

	2019	2018
Kenya Shillings deposits	8.63%	9.19%
United States Dollar deposits	3.63%	3.25%

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 2019 (2018: Nil).

27 Note to the consolidated and separate statement of cash flows

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

	2019 Shs'000	2018 Shs'000
Profit before income tax	1,014,477	684,083
Adjustments for:		
Net exchange losses on foreign currency cash & cash equivalents (Note 8)	7,483	2,342
Interest expense on lease liabilities (Note 8)	33	-
Interest income (Note 8)	(117,021)	(125,672)
Depreciation (Note 18)	197,103	182,982
Amortisation of prepaid operating lease rentals (Note 19)	-	5
Depreciation of right of use assets (Note 20)	10	-
Gain on disposal of property, plant and equipment	(1,658)	(4,604)
Impairment of financial assets held at amortised cost (Note 22)	-	3,061
Gains arising from changes in fair value less estimated point-sale costs of biological assets (Note 6 (i))	(83,414)	(74,082)
Decrease in the fair value of biological assets due to sales and harvest and disposal (Note 6 (i))	70,967	83,533
Fair value movement in biological assets – growing agricultural produce	(31,226)	6,998
Changes in working capital:		
- Increase in inventories	(232,217)	(23,152)
- Decrease/(increase) in receivables and prepayments	80,967	(66,427)
- Decrease in payables and accrued expenses and lease obligations	(181,065)	(99,563)
- Increase in post-employment benefit obligations	14,705	14,419
Cash generated from operations	739,144	583,923

Notes (continued)

28 Related party transactions – Group and Company

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

The following transactions were carried out with related parties:

	2019 Shs'000	2018 Shs'000
i) Sale of goods to:		
Eastern Produce Kenya Limited	113,307	220,399
ii) Purchase of goods and services from:		
RBDA Kenya Branch	104,592	102,255
Eastern Produce Kenya Limited	65,897	71,207
	170,489	173,462

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 26,327,000 (2018: 23,560,000).

	2019 Shs'000	2018 Shs'000
iii) Key management compensation		
Salaries and other short-term employment benefits	58,377	67,239
Post employment benefits	12	608
	58,389	67,847
iv) Directors' remuneration		
Fees for services as a Director	9,240	9,825
Other emoluments	467	424
	9,707	10,249

Notes (continued)

28 Related party transactions – Group and Company (continued)

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

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Due from related Companies				
Eastern Produce Kenya Limited	32,948	85,559	32,948	85,559
RBDA Kenya Branch	4,867	-	4,867	-
	37,815	85,559	37,815	85,559
Due to related Companies				
Estates Services Limited	-	-	2,570	2,570
Kaguru EPZ Limited	-	-	5,813	5,813
RBDA Kenya Branch	-	13,925	-	13,925
Eastern Produce Estates South Africa (Pty) Ltd	8	23	8	23
	8	13,948	8,391	22,331

29 Commitments – Group and Company

Capital commitments

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

	2019	2018
	Shs'000	Shs'000
Property, plant and equipment	38,567	9,076

30 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 indicate 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.

31 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 2019.

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Kakuzi Plc

Five year record

	2019 Shs'000	2018 Shs'000	2017 Shs'000	2016 Shs'000	2015 Shs'000
Turnover	2,888,662	3,152,831	2,823,926	2,651,199	2,481,844
Profit before income tax	1,014,477	684,083	849,123	757,779	667,341
Income tax	(301,038)	(202,489)	(257,480)	(195,354)	(207,627)
Profit after income tax	713,439	481,594	591,643	562,425	459,714
Profit attributable to the members of Kakuzi Plc	713,439	481,594	591,643	562,425	459,714
Dividends: -					
Proposed final dividend - for the year	274,400	176,400	137,200	117,600	98,000
Capital and reserves: -					
Called up share capital	98,000	98,000	98,000	98,000	98,000
Reserves	5,116,184	4,567,335	4,219,895	3,748,258	3,345,870
Total equity	5,214,184	4,665,335	4,317,895	3,846,258	3,443,870
Basic earnings per ordinary share (Shs)	36.40	24.57	30.19	28.70	23.45
Dividends per ordinary share (Shs)	14.00	9.00	7.00	6.00	5.00
Dividend cover	2.60	2.73	4.31	4.78	4.69
Total equity per ordinary share (Shs)	266.03	238.03	220.30	196.24	175.71

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 2019 were:

	Shareholder name	Number of ordinary shares	%
1	John Kibunga Kimani	6,311,199	32.20%
2	Bordure Limited	5,107,920	26.06%
3	Lintak Investments Limited	4,828,714	24.64%
4	Standard Chartered Nominees a/c 9532	429,134	2.19%
5	G.H. Kluge & Sons Limited	239,118	1.22%
6	HSBC Global Custody Nominee (UK) Limited	200,000	1.02%
7	Kakuzi Neighbourhoods Development Foundation	155,500	0.79%
8	Joe B.Wanjui	122,004	0.62%
9	John Okuna Ogango	104,400	0.53%
10	Shah Chandrakant Keshavji & Shah Laxmiben Chandrakant Keshavji	61,698	0.31%
		17,559,687	**89.59%**

* 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 2019 was:

Ordinary shares range	Number of shareholders	Number of ordinary shares	%
Less than 500	794	124,902	0.64%
501 to 5,000	432	788,541	4.02%
5,001 to 10,000	46	350,600	1.79%
10,001 to 100,000	40	837,967	4.28%
100,001 to 1,000,000	6	1,250,156	6.38%
Over 1,000,000	3	16,247,833	82.90%
	1,321	**19,599,999**	**100.00%**

I/We

…………………………………………….……….…………………..…………..………...………………..……………..,

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

appoint: …………………………………………………………………………………………………..……, of

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

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

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

held on the **9th day of June 2020**, and at any adjournment thereof.

As witness my hand this …………………………….. day of ………………………………………………..2020

Signed ……

Signed ……

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Group.

2. In the case of a member being a limited Group, this form must be completed under its common seal or under the hand of an officer or attorney duly authorized in writing.

3. Proxies must be in the hands of the Group Secretary not less than 48 hours before the time of holding the meeting.

FOLD 2

STAMP

FOLD 1

Kakuzi Plc
P O Box 24
Thika 01000
Kenya

FOLD 3

INSERT FLAP INSIDE