

**LIMURU TEA PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**AS AT**  
**31 DECEMBER 2022**

**LIMURU TEA PLC****ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**LIMURU TEA PLC**

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Dorcas Muli	Chair
Gerridina Johanna Maria Ten Den*	
Felgona Omollo	
Sarah Mbwaya	
Samson Korir	
Philip Sigey	Resigned on 14 March 2023
*Dutch	

**COMPANY SECRETARY**

Alison I.N Kariuki, LLB, M.A (staffs) CPS (K)	Resigned on 31 March 2022
Lydia Musili, LLB, CPS (K)	Appointed on 1 April 2022

**REGISTERED OFFICE**

Nakuru – Kericho Highway  
PO Box 20  
20200 – Kericho

**PRINCIPAL PLACE OF BUSINESS**

Limuru Tea Plc  
PO Box 1  
00217 Limuru  
Telephone: 020 - 2489737

**AUDITOR**

KPMG Kenya  
8<sup>th</sup> Floor, ABC Towers  
Waiyaki Way  
PO Box 40612  
00100 Nairobi GPO

**REGISTRARS**

Image Registrars Limited, Securities  
Registrars & Trustees  
5<sup>th</sup> Floor, Absa Towers, Loita Street  
PO Box 9287  
00100 Nairobi GPO

**ADVOCATES**

Kaplan & Stratton Advocates  
Williamson House 9<sup>th</sup> Floor,  
4<sup>th</sup> Ngong Avenue  
Nairobi City, Kenya  
PO Box 40100  
00100 Nairobi GPO

**INSURANCE BROKERS**

Minet Kenya Financial Services Limited  
Minet House, Off Nyerere Road  
PO Box 55289  
00100 Nairobi GPO

**BANKERS**

KCB Bank Kenya Limited  
Limuru Branch  
PO Box 933  
00217 Limuru

## **LIMURU TEA PLC**

### **NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTICE IS HEREBY GIVEN** that the **98<sup>th</sup> ANNUAL GENERAL MEETING** of **LIMURU TEA PLC (“the Company”)** will be held at Sarova Panafric Hotel, Nairobi, on **26<sup>th</sup> May 2023** at **11:00 a.m.** to conduct the following business:

#### **ORDINARY BUSINESS**

1. To read the Notice Convening the Meeting.
2. To receive, consider and adopt the Company’s Audited Financial Statements for the year ended 31 December 2022 together with the Directors’ and Auditors’ Reports thereon.
3. To approve a final dividend of KShs 2.50/= per ordinary share for the year ended 31 December 2022, payable net of withholding tax on or about 30<sup>th</sup> June 2023, to shareholders on the register of Members at the close of business on 14<sup>th</sup> April 2023.
4. To elect Directors:  
  
In accordance with Article 100 of the Company’s Articles of Association, Dorcas Muli retires by rotation as a Director and being eligible offers herself for re-election.
5. To appoint the following Directors to continue being members of the Board Audit Committee pursuant to the provisions of Section 769 of the Companies Act 2015:
  - (a) Sarah Mbwanya
  - (b) Felgona Omollo; and
  - (c) Samson Korir
6. To approve the Directors’ Remuneration Report as provided in the Audited Financial Statements for the year ended 31 December 2022.
7. To reappoint KPMG Kenya as the Company's Auditor in accordance with the provisions of Section 721 (2) of the Companies Act, 2015 to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to determine the remuneration of the Auditors for the ensuing financial year.
8. To transact any other business of the Annual General Meeting in respect of which notice has been given.

#### **SPECIAL BUSINESS**

To consider and if thought fit to pass the following resolution as a Special Resolution, as recommended by the Directors:

- (a) That by virtue of the changes brought about by the Business Laws (Amendment) Act, 2020 (the Amendment Act), since is no longer necessary for a Kenyan incorporated company to have a 'common seal' or attach seals to documentation, the Articles of Association of the Company be amended by deleting Article 116 and 117 in entirety.

**LIMURU TEA PLC**

**NOTICE OF ANNUAL GENERAL MEETING  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

BY ORDER OF THE BOARD Signed by:

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**Lydia K. Musili, LLB, CPS (K)**  
**Company Secretary**

**Date: 24<sup>th</sup> March 2023**

**Notes**

1. *A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A form of proxy is enclosed.*
2. *In the case of a member being a limited liability company or corporate body, the form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.*
3. *Shareholders who will not be able to attend the meeting are requested to complete and return the Proxy Form, so as to reach the Company Secretary, Limuru Tea Plc., PO Box 9287 - 00100, Nairobi not later than 24<sup>th</sup> May 2023.*
4. *In accordance with Article 133 of the Company's Articles of Association a copy of the Audited Financial Statements may be viewed on and obtained from the Company's website or from the Registered Office of the Company. An abridged set of the audited Balance Sheet, Income Statement, Statement of Changes in Equity and Cashflow Statements for the year ended 31<sup>st</sup> December 2022 have been published in two daily newspapers with nationwide circulation.*

## LIMURU TEA PLC

### CHAIR'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

Limuru Tea Plc owns 282 hectares of tea plantations situated four kilometres to the east of Limuru Town. The Company is an outgrower to ekaterra Tea Kenya PLC (eTK). eTK provides management services to Limuru Tea Plc's in manufacturing, selling and marketing of its tea. The Limuru Tea estate green tea leaf is manufactured in the nearby eTK's Mabroukie factory from where it is sold for export at the Tea Auction.

Limuru Tea Plc's **Purpose/Mission** is to '*Lead the Tea Industry Upwards in Positively Impacting our People, Consumers & Environment*'; and the **Vision** of the Company is '*To Grow a World of Wellbeing to Generate Value for All*'.

#### ***Environmental conservation***

Through the environmental policy and partnering with Rainforest Alliance, the Company has made sure all tea operations are sustainable, natural resources are conserved, energy consumption is reduced, and that we come out as a profitable tea business. To that effect, we keep track of our riparian strips, water sources, and strive towards reducing our environmental impact on the planet for a greener tomorrow.

We successfully initiated the zero waste to land fill program using an integrated waste management program. All waste in villages and workplace is segregated. Plastics waste is collected by a third-party contractor who are a quality waste management partner. This has minimized our environmental impact to ensure that both our economy and our environment can thrive.

In 2022, we started an initiative to plant more indigenous trees in our riparian areas. We planted 2,000 seedlings. The target for 2023 is to plant 7,000 seedlings and manage them to maturity.

We are maintaining biodiversity through planting different tea clones, applying integrated pest and disease management and planting drought/pest resistant varieties.



*Tea fields in Limuru Tea Estate*

#### ***Soil conservation and sustainability***

All our riparian areas are covered by indigenous forests that are conserved; no hunting of animals and felling of trees is allowed in these areas. We have created micro catchments, terraces and planted Agapanthus on tea field edges to hold rainwater and prevent soil erosion. We improve soil fertility by integrating bush trashes from pruning to supply nutrients after decomposing. We have eliminated use of herbicides in all our operations as a measure to protect and conserve the environment.



*Riparian area within Limuru Tea Estate*

#### ***Employee wellbeing***

We offer all employees competitive salary packages. Personnel have access to free housing with solar panels for electricity, clean water, and sanitation facilities. We finalized fencing the villages to offer more security to employees. We offer continuous training sessions to employees on safety at work and outside the workplace, business integrity, and financial management as well as family support programs and mental health trainings.

## **LIMURU TEA PLC**

### **CHAIR'S STATEMENT** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **Tea production**

The year 2022 experienced adverse weather conditions compared to 2021. The adverse climatic conditions led to decrease in volumes produced from 538 million to 535 million kilograms of made tea in Kenya.

#### **The Tea Markets**

The average Mombasa auction price for all the Kenyan teas increased from an average of USD 2.10/kg recorded in 2021 to USD 2.49/kg in 2022 due to market supply & demand forces and government regulations on Auction Tea prices. (*Source Tea Directorate*).

#### **Company performance**

The estate operations are managed in line with best practice. In 2022 the Company produced 3,004,830 (2021 – 3,207,330) kilograms of green tea leaf, which in turn was manufactured into 715,380 (2021 – 745,790) kilograms of black tea. Green tea leaf and black tea reduced by 6% and 4% respectively in 2022.

The turnover Increased by 46% to KShs 123 million in 2022 from KShs 84 million in 2021. This was driven by improved made tea quality and increase in market prices.

The Company posted a pre-tax profit of KShs 16.3 million in the year ended 31 December 2022 compared to a KShs 14.2 million pre-tax loss in the prior year. The improved performance was largely driven by the increase in the market prices and cost management to mitigate the impact of inflation on key inputs.

#### **Strategic initiatives the firm is undertaking during the year**

The company has over the past years embarked on a program to maximize yield by replanting high yielding and drought resistant tea varieties. We have also completed infilling program in older fields to improve crop cover and boost productivity. Our focus in 2023 and beyond will be improving green leaf quality and production cost optimization to boost our profitability.

#### **Prospects, Risks and Market**

The first quarter of the year 2023 has experienced relatively lower rainfall compared to the first quarter of 2022 which has negatively impacted tea production. Price inflation of key inputs continue to drive cost of production upward. Market prices have declined contrary to expectation, driven by foreign exchange challenges in key Tea Markets.

The weakening of Kenya shilling has partially cushioned the impact of lower prices in quarter one. Management will continue with cost containment measures and quality improvement initiatives to ensure the company continues to deliver steady performance building on the results recorded in 2022.

**LIMURU TEA PLC**  
**CHAIR'S STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**Tribute to employees**

Finally, I would like to pay tribute to all our employees for their support and contribution to the Limuru Tea Plc business during 2022.

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**Dorcas Muli**

**Chair**

**Date: 24<sup>th</sup> March 2023**



**LIMURU TEA PLC**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors submit their Report together with the Audited Financial Statements for the year ended 31 December 2022, in accordance with the Kenya Companies Act, 2015 which disclose the state of affairs of Limuru Tea Plc (the “Company”).

**1. Principal activities**

The principal activity of the Company is growing of green leaf tea.

**2. Results**

The results for the year are set out on page 31 and show the profit for the year of KShs 11,345,000 (2021 loss of KShs 9,555,000).

**3. Dividends**

The Directors recommend a dividend of KShs 2.50/= per ordinary share for the year ended 31st December 2022, payable net of withholding tax on or about 30 June 2023, to shareholders on the register at the close of business on 14th April 2023.

**4. Directors**

The Directors who held office during the year and to the date of this report are set out on page 1.

**5. Relevant audit information**

The Directors in office at the date of this report confirm that:

- There is no relevant audit information of which the Company’s auditor is unaware; and
- Each Director has taken all the steps that they ought to have taken as a director to be aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

**6. Auditors**

The auditor, KPMG Kenya, being eligible for reappointment, has indicated willingness to continue in office in accordance with the Kenyan Companies Act, 2015.

**7. Business overview**

The Company’s business overview is contained in the Chair’s statement set out on page 4 to 6.

**8. Boards’ assessment of compliance with the risk management frameworks**

The Board, advised by the Committees where appropriate, regularly review the significant risks and decisions that could have a material impact on Limuru Tea Plc. These reviews consider the level of risk that Limuru Tea Plc is prepared to take in pursuit of the business strategy and the effectiveness of the management controls in place to mitigate the risk exposure. The Board, through the Audit Committee, have reviewed the assessment of risks, internal controls and disclosure controls and procedures in operation within Limuru Tea Plc. They have also considered the effectiveness of any remedial actions taken for the year covered by this Annual Report and Financial Statements and up to the date of its approval by the Board.

**LIMURU TEA PLC**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**9. Approval of financial statements**

The financial statements were approved and authorised for issue at a meeting of the directors held on **24 March 2023**.

BY ORDER OF THE BOARD DocuSigned by:  
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**Lydia K. Musli, LLB, CPS (K)**  
**Company Secretary**

**Date: 24<sup>th</sup> March 2023**

## **LIMURU TEA PLC**

### **DIRECTORS' REMUNERATION REPORT** **FOR THE YEAR ENDED 31 DECEMBER 2022**

This Directors' remuneration report sets out the remuneration arrangements for Limuru Tea Plc directors for the year ended 31 December 2022.

#### **Information not subject to Audit**

#### **Details of directors**

The remuneration report details the remuneration arrangements for Directors who served during the year. The executive and non-executive directors listed below are collectively referred to as directors.

#### **Executive Directors:**

- Ms. Gerridina Johanna Maria Ten Den
- Mr. Samson Korir
- Mr. Philip Sigey                      Resigned on 14 March 2023

#### **Non-executive directors:**

- Ms Dorcas Muli                      Chairperson
- Ms Felgona Omollo
- Ms Sarah Mbwaya

#### **Remuneration Policy for the Non-Executive Chair, Non-Executive Directors and Executive Directors**

The remuneration of the Non-Executive Chair and Non-executive Directors is determined by the Nomination Committee. These Board members receive annual fees and allowances for attending meetings. Non-Executive roles are not entitled to any performance related pay or pension.

The Non-Executive Chair and Non-Executive Directors do not have service contracts. The Non-Executive Directors appointments are subject to annual election or re-election by shareholders.

Non-Executive Directors' appointments may be terminated at any time by serving one months' written notice by either party.

#### ***Remuneration Policy for Non-Executive Director***

The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary experience and ability to oversee the business. Fees are paid in cash through Real Time Gross Settlement (RTGS).

The amount of fees reflects the attached responsibility and time commitment. Additional fees are paid for further responsibilities such as chairing committees and sitting on appointed board committees.

The value of benefits provided will be reasonable in the market context and take account of the individual circumstances and benefits provided in comparable roles for companies within the Industry.

## LIMURU TEA PLC

### DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### **Remuneration Policy for the Non-Executive Chair, Non-Executive Directors and Executive Directors (Continued)**

##### ***Remuneration Policy for Executive Directors***

Executive Directors work within the ekaterra Group of Companies and do not earn any remuneration from the Company.

The Company's policy is to appoint Executive Directors for an initial two-year period, which may be extended for a further term by mutual consent. The initial appointments and any subsequent reappointments are subject to annual review by the Nomination Committee.

Travel and other reasonable expenses (including any associated taxes) incurred in the course of performing their duties are reimbursed.

#### **Changes to directors' remuneration**

There were no substantial changes relating to the directors' remuneration made during the year (2021 – None).

#### **Information subject to audit**

##### **Contract of service – Executive directors**

<b>Name</b>	<b>Date of contract</b>	<b>Unexpired term</b>	<b>Notice period</b>	<b>Amount payable for early termination</b>
Mr. Samson Korir	9 November 2021	10 months	1 month	None
Ms Gerridina Johanna Maria Ten Den	1 March 2022	1 year 2 months	1 month	None
Mr. Philip Sigey	1 October 2021	Resigned on 14 March 2023	1 month	None

#### **Directors' remuneration paid during the year**

##### ***Non-executive directors***

<b>NAME</b>	<b>2022</b>			<b>2021</b>		
	<b>Fees</b>	<b>Sitting allowance</b>	<b>Total</b>	<b>Fees</b>	<b>Sitting allowance</b>	<b>Total</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
Mr. Richard Korir	-	-	-	328	455	783
Ms Felgona Omollo	336	455	791	336	490	826
Ms Dorcas Muli	437	500	937	361	532	893
Ms Sarah Mbwana	336	455	791	84	105	189
<b>Total</b>	<b>1,109</b>	<b>1,410</b>	<b>2,519</b>	<b>1,109</b>	<b>1,582</b>	<b>2,691</b>

##### ***Executive directors***

Executive directors also work within the ekaterra Group of Companies and therefore did not earn any remuneration for acting as directors of Limuru Tea Plc. Their expenses for travel tickets, accommodation and food during Board assignment were borne by the Company.

There were no other sums paid to third parties in respect of directors' services.

## **LIMURU TEA PLC**

### **DIRECTORS' REMUNERATION REPORT** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **Approval of the directors' remuneration report**

The Directors confirm that this report has been prepared in accordance with the Kenyan Companies Act, 2015, Capital Markets Authority (CMA) Code and listing rules and reflects the disclosure requirements under the IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

**By Order of the Board** DocuSigned by:

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**Lydia K. Musili, LL.B, CPS (K)**  
**Company Secretary**

**Date: 24<sup>th</sup> March 2023**

## LIMURU TEA PLC

### BOARD OF DIRECTORS AND DIRECTORS' PROFILES



**Ms. Dorcas Muli**

*Kenyan*

Dorcas Muli is an independent and non-executive director and the Chair of the Board of Directors of Limuru Tea Plc. She joined the Board on 10 August 2018.

As an Independent Director, Dorcas does not have a material or pecuniary relationship with the company or related persons, and is compensated through sitting fees or allowances, she does not own shares in the Company, and has served in her capacity for a period of less than nine years.

Dorcas is an experienced Audit, Compliance and Risk Management professional with over 16 years of experience having started her career at the Auditor General's office before taking on appointment as Senior Associate at Pricewaterhouse Coopers. She also had a stint at AMREF as a Compliance Officer and worked for Centre for Health Solutions- Kenya as a Compliance Manager. She is currently pursuing a PhD in Economics at the University of Nairobi and in private practice as a Certified Public Accountant.

Dorcas holds a master's degree in business administration, Kenyatta University and a Master of Arts in Economic Policy Management from the University of Nairobi. Dorcas is a Certified Public Accountant and a Certified Information Systems Auditor. She is a practicing member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a member of the Association of Women Accountants of Kenya (AWAK) and the Women on Board's Network.



**Ms. Felgona Omollo**

*Kenyan*

Felgona Omollo is a non-executive director to the Board of Directors of Limuru Tea Plc. She joined the Board on 6 June 2017.

Felgona is a non-executive director but is not considered independent owing to her previous employment with Unilever Tea Kenya PLC. However, Felgona does not have a material or pecuniary relationship with the company or related persons, and is compensated through sitting fees or allowances, she does not own shares in the Company, and has served in her capacity for a period of less than nine years.

Felgona is a seasoned Human Resource Practitioner and Consultant.

She has delivered major Human Resource projects for the United Nations in Uganda, Butali Sugar Mills Limited in Kakamega County and Nightingale Medical Centres in Kisumu County, among others. She is also a regular facilitator in Institute of Human Resource Management forums to Nyanza and Western region members.

Felgona has extensive experience in handling challenging Human Resource environment in Kenya and Tanzania, which she brings on board to Limuru Tea plc. She holds a Bachelor of Business Management Degree majoring in Human Resource Management, a Diploma in Human Resource Management, an international Diploma in Personnel Management and Industrial Relations and a certificate in Psychological Counselling. She is a member of the Institute of Human Resource Management.

## LIMURU TEA PLC

### BOARD OF DIRECTORS AND DIRECTORS' PROFILES (CONTINUED)



**Lydia Musili**  
Company Secretary  
*Kenyan*

Lydia is the General Counsel and Company Secretary for ekaterra in East Africa. She is also the Company Secretary of Limuru Tea Plc.

She oversees the legal strategy for ekaterra operations in Kenya, Tanzania, and Rwanda. She is a seasoned in-house professional having worked in various senior roles in other leading companies in the private sector.

She holds a Bachelors Degree in Law, LL.B. from the University of Nairobi. Lydia is an Advocate of the High Court in Kenya, and a Certified Public Secretary.



**Mr. Samson Korir**  
*Kenyan*

Samson Kiprotich Korir is an Executive Director to the Board of Limuru Tea Plc. He joined the Board on 9<sup>th</sup> November 2017.

Samson is the current Head of Finance in ekaterra Tea Africa Plantations and has over Ten (10) years of professional experience in Finance. He joined ekaterra Tea Kenya PLC (formerly Unilever Tea Kenya Limited) in 2012 as an Operations Accountant. He has since held various other roles within the company including the Central Tea Group Accountant, Finance Business Partner

Customer Development, Reporting & Analytics Assistant Finance Manager and Finance Manager for the Kenya Tea business.

Before joining the company, he had worked for the Bank of Africa for one and half years.

Samson holds a Bachelor of Arts Degree majoring in Economics and an MBA in Finance from the University of Nairobi.

He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya.



**Gerridina Johanna Maria Ten Den**  
*Dutch*

Gerridina Johanna Maria Ten Den is an executive director to the Board of Directors of Limuru Tea Plc she joined the Board on 1<sup>st</sup> March 2019.

Gerridina is the current Managing Director of Limuru Tea Plc and Head of Tea Plantations, Africa for ekaterra.

Gerridina has worked for over 30 years in FMCG Companies such as Unilever and was the immediate former Procurement Director Tea Africa in Unilever. She has successfully done a variety of roles in Marketing and Procurement, in the Netherlands, Switzerland, and more recently in Mombasa Kenya. In her most recent role, she has been instrumental in transforming the tea procurement organization into a resilient strategic partner with high efficiencies in tea logistics and procurement, expanding the supplier base in Africa by closely working on sustainable sourcing and increasing product quality. Gerridina is a talent developer and has built a highly engaged and motivated team.



## **LIMURU TEA PLC**

### **BOARD OF DIRECTORS AND DIRECTORS' PROFILES (CONTINUED)**



**Sarah Mbwaya**  
*Kenyan*

Sarah Mbwaya as an Independent Non-Executive Director to the Board of Limuru Tea Plc and Chair of the Audit Committee and Nominations Committee of the Board. She joined the Board on 1<sup>st</sup> October 2021.

As an Independent Director, Sarah does not have a material or pecuniary relationship with the company or related persons, and is compensated through sitting fees or allowances, she does not own shares in the Company, and has served in her capacity for a period of less than nine years.

Sarah Mbwaya is experienced with over 30 years of engineering experience with a strong focus in systems design, automation, improvement, and implementation. She has over 20 years' leadership and senior management experience drawn from fields such as energy, information communication technology, business management (oversight & development), financial & resource management, project management (planning & execution), consultancy, stakeholder management and entrepreneurial practice.

She has served on boards of Numerical Machining Complex (NMC) where she chaired the Audit Committee, Emerging Young Leaders (EYL), Emerging Leadership Initiatives, and Loresho South Residents Association where she held the vice chair position. She is a member of Engineers Board of Kenya (EBK), Business Network International (BNI), Women on Boards Network (WOBN), Women in Sustainable Energy Entrepreneurs (WISEe) and Women in Business (WIB).

She has a Masters Degree in strategic management from United States International University, bachelor's degree (Hons.) in Electrical and Electronics Engineering from the University of Nairobi, Solar technician Licenses from the Energy & Petroleum Regulatory Authority (EPRA) and an

ACCA Diploma in Financial management. She is also an accredited system engineer (ASE).

She is passionate about risk management, strong internal control systems, leadership & governance, sustainable energy, conservation, and she is keen on sound corporate Governance practices.



**Philip Sigey (Resigned 14 March 2023)**  
*Kenyan*

Philip Sigey was an Executive Director to the Board of Limuru Tea Plc. He joined the Board on 1 October 2021.

Philip was the General Manager – Central Tea Group, ekaterra Tea Kenya PLC (formerly Unilever Tea Kenya Limited) operations in Limuru in 2022.

Philip joined ekaterra Tea Kenya PLC (formerly Unilever Tea Kenya Plc) in 1997 where he has held various key management positions within our Supply Chain function.

He later moved on international assignments where he served in Unilever Tea Tanzania Limited as the Field Operations Manager between 2012 – July 2016 and later as the Country General Manager for Unilever Tea Rwanda Limited from August 2016 to Sept 2021.

Philip holds a Bachelor of Science Degree in Agriculture from the University of Nairobi.



## LIMURU TEA PLC

### SUSTAINABILITY REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

#### Statement from the CEO

The growing awareness of potential social and environment risks generated by supply chains of goods and services means that there is significant pressure on companies to generate, assess and make available information on their sustainability performance and impact.

Sustainability reporting represents an important mechanism to generate data and measure progress and the contribution of companies towards global sustainable development objectives, set goals and support the transition towards a low carbon, resource efficient and social inclusion.

In line with our values, Sustainability is fundamental to our business and goes beyond our operations into the work we do with stakeholders, the welfare of our employees and our long-term environmental sustainability.

#### Materiality Assessment

Limuru Tea PLC aims to create value for its stakeholders while protecting the planet and resources.

Materiality assessment is a process of identifying, reviewing, and assessing potential issues that could affect businesses, and/or stakeholders, and condensing them into a short-list of topics that drive the company's sustainability strategy, initiatives, and reporting.

A sustainability issue is material to Limuru Tea PLC if it meets two conditions. Firstly, if it is considered a principal risk or an element of a principal risk, which could impact our business or performance. And secondly, if it is deemed to be important to our key stakeholders, including: our people, consumers, customers, suppliers & business partners, planet & society (citizens, NGOs, governments) and our employees.

All of the material sustainability issues listed below are recognized as a principal risk or an element of a principal risk in our annual risk management process.

During the reporting period, we reviewed the materiality matrix for the previous financial year.

Stakeholder interest	Materiality matrix		
	High	Diversity and inclusion Stakeholder engagement Human rights	Climate change Corporate governance and integrity Environment
	Medium		Occupational health and safety
		Medium	High
Relevance/Impact on Limuru Tea Plc business			

The above material issues were categorized as follows;

#### Climate Change and environment

- a) Water
- b) Waste
- c) Energy and emissions: Managing Greenhouse Gas emissions

#### Our community

- a) Human rights
- b) Diversity and inclusion
- c) Stakeholders' engagement
- d) Occupational health and safety

## **LIMURU TEA PLC**

### **SUSTAINABILITY REPORT** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **Materiality Assessment (continued)**

##### **Governance and Integrity**

- a) Division of responsibilities
- b) The role of the Board
- c) Board Committee

#### **1. Climate change and environment**

As environmental awareness increases, integrating sustainable business models into corporate strategies and determining commitments to providing environmental, economic, and social benefits becomes an inevitable responsibility for all stakeholders. We are committed to harnessing a greener approach and set on reducing our impact on the environment.

We seek to build a sustainable approach to production to reduce carbon emissions and the impact it has on local ecosystems, while observing the priorities of different stakeholders.

At Limuru Tea PLC, we aim to achieve resource efficiency, we aim to use natural resources such as water and energy more effectively and to create more value with less input. We strive to contribute to reducing the environmental impact of our operations. Reducing waste at the source and adopting correct disposal practices.

We have Environment and Energy policies and principles that aid in defining our objectives, goals, and initiatives: The key themes are:

- (i) To comply with the relevant National and International regulations and other requirements,
- (ii) To conduct the necessary activities to raise awareness among our employees, our business partners and public,
- (iii) To ensure the participation at all levels of the organization as well as our business partners,
- (iv) To assess the potential risks regarding environmental impact and to take measures against identified risks,
- (v) To take adequate measures for the protection of the environment and the prevention of environmental pollution caused by processes and products, to reduce the amount of waste generated because of our activities, collect, reuse, and recycle waste,
- (vi) To use energy and natural resources efficiently,
- (vii) To manage environment related risks and opportunities when investing in current or new assets, and
- (viii) To monitor our performance by setting goals through a proactive approach and to ensure continuous improvement in all our processes.

##### **(a) Water**

As part of our sustainable and responsible resource consumption, we have installed water meters to capture, monitor and document our water footprint.

We ensure legal compliance of water sources and withdrawal rates, monitoring of water consumption, best practices in water management, water source protection and measures to demonstrate continuous improvement in water management.

To ensure we conserve water as much as possible, we practice a combination of water catchment preservation and using technology to apply the correct amount of water in our operations.

## **LIMURU TEA PLC**

### **SUSTAINABILITY REPORT** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **1. Climate change and environment (continued)**

##### **(b) Waste**

Rising populations and living standards inevitably increase consumption, which increases the pressure on our natural resources and disrupts the balance of the world. Our limited resources cannot meet this unlimited demand. Given this reality, the importance of efficient use of natural resources becomes even more evident.

Zero Waste is a target defined as a waste management philosophy that includes preventing waste, using resources more efficiently, preventing or minimizing waste generation by reviewing the causes of waste generation, and collecting and recycling waste separately at the source.

For this reason, in recent years, Limuru Tea PLC has adopted and implemented the zero-waste approach. With zero-waste approach as a basis, we prioritize: Waste avoidance, Waste reduction, Reuse and Recycling.

Limuru Tea works to prevent waste generation at source and to minimize waste at every possible step of its operations. Limuru Tea supports the "Zero Waste" by establishing the necessary infrastructure for effective monitoring of waste from sites.

In addition, Limuru Tea plc has partnered with a licensed in-house recycling vendor. The vendor collects, recycles, and reuses our waste as guided by the Kenya National environmental management Authority (NEMA).

Hazardous waste such as fertilizer bags is collected, documented, and disposed of through the National Environment Management Authority's (NEMA) approved waste handlers.

**Energy and emissions:** Climate change is a shared and the most urgent problem our planet is faced with. The use of fossil fuels and carbon emissions pose a great threat to humanity. Combating climate change can only be possible if all stakeholders work together and join forces for a low-carbon economy. Priority issues in transition to a low carbon economy are:

- (i) energy efficiency.
- (ii) use of renewable energy resources,
- (iii) resource efficiency in processes.

Managing and reducing greenhouse gases from our activities is one of the many steps we take to enhance sustainability. We aim to reduce our carbon footprint continuously for a sustainable world and we are taking firm steps to reach our target.

To this end, Limuru Tea has Energy and Environment policies. These policies provide guidance on :

- Commitment to utilizing and generating energy in a safe, economic, environmentally sound and sustainable manner, in full compliance to the Energy Act, 2019 of Kenya and any Regulations as stipulated by the Laws of Kenya
- Commitment to continuous improvement in environmental performance in all activities.

To ensure full transparency and traceability of tea produced in it's operations, Limuru Tea Plc in collaboration with eTK has adopted and obtained the Rain Forest certification. This certification focusses on traceability of tea and related agronomic practices throughout the operations.

**LIMURU TEA PLC**  
**SUSTAINABILITY REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**1. Climate change and environment (continued)**

**(a) Waste (continued)**

The certification's process involves review of socio-environmental management systems and processes covering ecosystem conservation, wildlife protection, fair treatment and good working conditions for workers, integrated waste management among other sustainability topics.

**2. Our community**

**(a) Human rights**

In Limuru Tea, we intentionally promote the enjoyment, realization, and fulfilment of human rights by charting an intentional path that meets the needs in our operations. Human rights integration by the Company has entailed three areas of focus:

- (i) Policy formulation/review of internal policies to enable effective implementation of human rights standards.
- (ii) Prevention Programs and Training.
- (iii) Confidential Ethics hotline.

Limuru Tea has below policies to support action and tracking of human rights related topics:

- Child Protection policy
- Dignity Enhancement Committee charter
- Psychological Support Guidelines
- Social Policy
- Welfare Grievance Guidelines
- Nursing Break Guidelines

These initiatives have been undertaken against a backdrop of robust stakeholder engagement and building the capacity of employees and the community to understand human rights.

**(b) Diversity and Inclusion**

The diversity of our people is one of our greatest strengths. We value and recognize the benefit of individual differences in the workplace, which supports both the realization of an individual's full potential and the achievement of our strategic priorities. Limuru Tea has Diversity & Inclusion Policy. To foster diversity and inclusion in our workspaces, we have:

- Introduced interactive discussion groups for team members to have open and safe conversations around diversity, equity and inclusion topics.
  - (i) Dignity enhancement committees
  - (ii) He4them program
  - (iii) Women collective action
- Continued regular reporting on issues that matter to our people, which we know from surveys conducted on employees. Some of the topic of interest to our employees include;
  - (i) Women in Leadership - we have achieved 100% women in management, and 70% overall at supervisor level
  - (ii) Gender Diversity at all levels- Our employee population - 49% Female, 51% Male
- Embraced the celebration of key events that promote diversity across the globe, including but not limited to International Women's Day, International Men's Day, International Human Rights Day

**LIMURU TEA PLC**  
**SUSTAINABILITY REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**2. Our community (Continued)**

**(c) Stakeholder engagement**

To continuously improve our sustainability approach, focus areas and performance, two-way communication with stakeholders is a priority.

With this in mind, we gather stakeholder expectations and incorporate them into our strategy development, enhancement and decision-making processes.

We seek to maintain dialogue with our stakeholders on different platforms ensuring a suitable frequency and tool.

Below is the view of the stakeholder Engagement Matrix

Stakeholder	Platform/Tool	Frequency
Employees	Intranet	Continuously
	Cooperate website	Continuously
	Internal bulletins	Continuously
	Business cascade	Quarterly
	Safety meetings	Weekly
	Annual celebrations	Continuously
Board, Investors and shareholders	Board meetings	Quarterly
	Board committee meetings	Quarterly
	Board Trainings	When required
	Annual general meeting	Annually
	Visits by shareholders	When required
	Performance review	Quarterly
Regulators/ Authorities	Correspondences (letters, memos)	When required
	Topical forums	Continuously
	Face to face meetings	Continuously
	Organized meetings/Conferences	Continuously
	Annual statutory audit	Annually
	Corporate governance audit	Annually

**(d) Occupational health and Safety**

**The journey towards zero accidents**

Limuru Tea Plc has the goal of zero accidents in the areas it operates. In line with this, we endeavor to make the occupational health and safety understanding a living culture within the company. Providing healthy and safe working conditions for its employees is among the most fundamental values of the company.

Limuru Tea Plc safety vision is “showing world-class and sustainable SHE performance and creating a strong safety culture.”

This vision is accomplished by instituting and implementing core safety policies, they include:

- (i) Safety at Work Policy
- (ii) Fire Safety Policy
- (iii) Procedure for refusal to work because SHE Concerns
- (iv) Safe Travel Policy

## **LIMURU TEA PLC**

### **SUSTAINABILITY REPORT** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **2. Our community (continued)**

##### **(d) Occupational health and Safety (continued)**

Proactive indicators also play a vital role in monitoring, improving, and sustaining good safety performance. The Safety behaviours Observations program which was launched in 2015 continues to play a critical role to ensure that all employees at Limuru Tea Plc are empowered to share feedback with each other and that safe and unsafe behaviours, outcomes and safer ways of working are discussed on a regular basis.

Safety Behaviour Observations (SBO) are reported by observers from various departments and analysed to understand high level trends and opportunities for improvement. These are followed up to closure systematically.

The SBO program is supported by a robust SHE governance as well as an annual communication plan, various tools such as weekly toolbox talks, Lessons learnt among others help keeping safety always on the agenda for the whole organization.

Limuru Tea Plc is committed to ensuring employees, customers, clients, contractors get home safely to their families at the end of every working day.

## **LIMURU TEA PLC**

### **CORPORATE GOVERNANCE** **FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Overview**

Limuru Tea Plc is committed to comply with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the “Corporate Governance Code”) and the Capital Markets (Licensing Requirements) (General) (Amendment) Regulations, 2016 (the “Corporate Governance Regulations”) as issued by the Capital Markets Authority. Besides complying with external corporate governance regulations, the Company has embedded internal rules of engagement to support corporate governance. These internal guidelines are constituted in the Governance of Limuru Tea Plc.

#### **Division of Responsibilities**

The Chair and the Chief Executive Officer’s roles are separate, with each having distinct and clearly defined duties and responsibilities.

The Chair is responsible for leadership of the Board, for ensuring its effectiveness on all aspects of its role and for facilitating productive contribution of all Directors. The Chair serves as the link between the Board and management in between meetings and is responsible for ensuring that decisions of the Board are implemented. She is also responsible for ensuring that the interests of the Company’s shareholders are safeguarded and that there is effective communication with them.

The Chief Executive Officer has overall responsibility for the performance of the business and provides leadership to facilitate successful planning and execution of the objectives and strategies agreed by the Board

#### **The Role of the Board**

The Board is comprised of independent Non-Executive Directors and Executive Directors and is responsible for the overall conduct of the Company and has the powers, authorities and duties vested in it pursuant to the relevant laws of the Republic of Kenya and the Articles of Association of Limuru Tea Plc. The Directors are committed to fulfilling their fiduciary responsibilities and have instituted various principles necessary to ensure that good governance is practiced with respect to dealings with the Company’s shareholders, customers and other relevant stakeholders in line with the spirit of the CMA Code of Corporate Governance for listed Companies.

In all its dealings, the Board has regard to the interests of the Company as a whole, including its shareholders, employees, customers and suppliers, together with its social and legal responsibilities in the communities in which it operates and to the environment.

The Board is collectively accountable to the Company’s shareholders for the long-term success of the Company and for its overall strategic direction, its values and governance. It provides the leadership necessary for the organization to meet its business objectives within the framework of its internal controls, while also discharging the Company’s obligations to its shareholders. Responsibility for implementing strategy and day-to-day operations has been delegated by the Board to the Chief Executive Officer and the Company’s executive team.

**LIMURU TEA PLC**  
**CORPORATE GOVERNANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**Board Diversity**

The Board recognises and embraces the benefits of diversity and views increasing diversity as an essential element in maintaining a competitive advantage. The Board also recognises the role of diversity in bringing different perspectives into Board debates and offers better anticipation of the risks that are inherent in the business and the opportunities that the business pursues. The Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business.

**Board Committees**

The Board retains effective control over the Company's operations and has established committees (the "**Committees**") to assist it in providing detailed attention to specific areas. The Committees report to the Board at each meeting highlighting matters discussed at their respective meetings and recommended actions.

**(i) Audit Committee**

This Committee's mandate includes: review of financial statements, compliance with accounting standards, oversight on risk assessment and management, internal control systems and the internal audit function, identification, assessment and liaison with the external auditor, corporate governance and finance and investment. The Company's performance on ethics is assessed and monitored by this Committee. This Committee meets at least twice a year.

*Members*

- (i) Sarah Mbwaya (Chairperson)
- (ii) Felgona Omollo
- (iii) Samson Korir

**(ii) Nominations Committee**

This Committee is responsible for: evaluation, induction, remuneration, appraisal, training and upskilling of directors, nomination of new directors and composition of the Board. This Committee meets at least once a year.

*Members*

- (i) Sarah Mbwaya (Chairperson)
- (ii) Felgona Omollo
- (iii) Philip Sigey (Resigned on 14 March 2023)

**Communication with stakeholders and Corporate Disclosures**

Limuru Tea Plc has in place an internal Communication and Corporate Disclosure Policy that sets out the standards of communication to be expected of the Company by its Shareholders; ensures that the Board proactively supplies relevant information to Stakeholders; and aims to enhance transparency and disclosure.



**LIMURU TEA PLC**  
**CORPORATE GOVERNANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**Business Integrity**

Limuru Tea Plc's Code of Business Principles ("CoBP") is a simple ethical statement of how we should operate. The CoBP Policies define the ethical behaviours that all employees need to demonstrate when working for the Company. Compliance with the CoBP and its policies is mandatory. While these are for internal use, we also publish them externally in support of transparency.

***Breach Management***

In order to ensure that potential breaches to our CoBP, Policies and Standards are handled fairly and expeditiously, a Business Integrity Committee meets on a regular basis to review progress of ongoing investigations check on the status of any ongoing disciplinary proceedings and progress agreed actions to closure.

***Whistle Blowing***

The CoBP provides for avenues through which employees, suppliers and stakeholders can report breached anonymously. Any breaches of the CoBP must be reported.

The Board of the Company will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies. Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

The whistle blowing avenue is referred to as 'Confidential Reporting of Issues or Concerns' and it is well published and communicated across the business. It provides avenues for anonymous reporting through a toll-free telephone hotline, a web page as well as through the Business Integrity Officers and Line Managers. This avenue of reporting is available to both external Stakeholders and employees and is annexed to the Governance of Limuru Tea (the Board Charter) and uploaded on the Company's Website.

At Limuru Tea Plc. during the year under review we carried out regular awareness sessions to ensure that our employees and stakeholders are aware of the provisions of the CoBP. There were no sanctions issued to employees under the CoBP during the year.

**Risk Management and Controls Assurance**

The Company's approach to risk management is in line with ekaterra's global risk management standards. The Internal Audit Department carries out audits to satisfy themselves on the integrity of financial information. It also performs regular checks to ensure financial controls and systems of risk management are robust and defensible. In collaboration with the Finance Department, the top internal and external risks are ranked based on their likelihood of occurrence and their impact to the business. The respective responsible officers are then tasked with ensuring that robust risk-mitigation controls are in place.

## LIMURU TEA PLC

### GOVERNANCE AUDIT REPORT FOR THE YEAR ENDED 31 DECEMBER 2022



7<sup>th</sup> February 2023

The Board of Directors  
Limuru Tea Plc  
P.O. Box 20-20200  
Kericho, Kenya.

Dear Sirs,

#### GOVERNANCE AUDIT FOR THE YEAR 2022

The Firm of George Kirui & Associates Advocates was retained by the Limuru Tea PLC (LTP) on January 2023 to conduct an independent governance audit of LTP.

We carried out the governance audit for LTP covering the period between January 2022 and December 2022, which comprised a full review and assessment of governance practices, structures and systems put in place by the Board.

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

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

We conducted the governance audit in accordance with the best practices in the legal profession and the governance audit in accordance with ICS Governance Audit Standards and Guidelines which conform to global Standards. These standards require that the

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George Kipkemoi Kirui & Associates Advocates

**LIMURU TEA PLC**

**GOVERNANCE AUDIT REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

Consultant plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the organizations policies, systems, practices, and processes. We believe that our audit provides a reasonable basis for our opinion.

We noted that half of the Board members are non-executive directors which in the Consultant's opinion enhances Board's role in exercising effective oversight over management.

We confirm that the Company is in compliance with all the relevant laws and regulations and has implemented good Governance Practices in accordance with the CMA Code and ICS Standards and Guidelines which conform to global Standards.

Yours faithfully,



CS George K. Kirui  
Managing Partner  
GEORGE KIRUI & ASSOCIATES ADVOCATES

CS Mary Oganga



Governance Auditor

## LIMURU TEA PLC

### STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the financial statements of Limuru Tea PLC (the "Company") set out on pages 31 to 67 which comprise the statement of financial position at 31 December 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with IFRS standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015 the Directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year and of the profit or loss of the Company for that year. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position and profit or loss of the Company.


The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company and of its profit or loss.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not be a going concern for at least the next twelve months from the date of this statement.

#### **Approval of the financial statements**

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on

DocuSigned by:  
  
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 Gerridina Johanna Maria Ten Den  
 Director

DocuSigned by:  
  
 1B442973B9ED492...  
 Samson Korir  
 Director

**Date: 24 March 2023**



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**Certified Public Accountants**  
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 Website [www.kpmg.com/eafrica](http://www.kpmg.com/eafrica)

## **INDEPENDENT AUDITOR'S REPORT** **TO THE MEMBERS OF LIMURU TEA PLC**

### **Report on the audit of financial statements**

#### *Opinion*

We have audited the financial statements of Limuru Tea Plc (the "Company") as set out on pages 31 to 67 which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by 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 the audit of the financial statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other 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 matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF LIMURU TEA PLC (CONTINUED)**

**Report on the audit of financial statements (Continued)**

*Key audit matters (continued)*

<b>Valuation of biological assets (fuel trees) in the financial statements</b>	
See accounting policy note 3 (d), note 4 - critical accounting estimates and assumptions and note 18 - Biological's assets	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Company's biological assets include fuel trees which are measured at fair value less costs to sell in accordance with IAS 41 Agriculture.</p> <p>Estimating the fair value of biological assets is a complex process involving a number of judgments and estimates regarding various inputs including estimating the expected harvest/yields and selling prices at the point of harvest and costs to be incurred to maturity of the biological asset as well as costs to sell at the point of harvest (incremental costs).</p> <p>Due to the nature of the fuel trees, the valuation technique includes a discounted cash flow model that involves judgments and estimates regarding a number of inputs such as the useful life of fuel trees, the discount rate, inflation rate, expected future prices and expected yield/harvest that is based on historical trends derived from internal sources.</p> <p>Valuation of biological assets relating to unharvested tea, and fuel trees is a key audit matter because estimating the fair values is a complex process involving a number of judgements and estimates regarding various inputs.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> <li>— Evaluating the Company's inputs and assumptions used in calculating the estimated cash flows with respect to yields and incremental costs by comparing previous estimates of yields and costs with the related historical yields and cost to maturity and with the Company's plans/budgets.</li> <li>— Evaluating the historical accuracy of the Company's estimated future prices and yields by comparing previous forecasts for prices and yields to actual outcomes.</li> <li>— Evaluating the historical accuracy of the company's assessment of the useful life and harvested quantity by comparing to the age and yield of actual past harvested fields.</li> <li>— Evaluating the accuracy of the computations as well as the appropriateness of the discount rates used to discount cash flows. We also engaged our internal valuation specialists to evaluate appropriateness of the weighted average cost of capital (WACC) used in the fair value of biological assets by performing an independent re-computation.</li> <li>— Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities in accordance with IFRS 13 <i>Fair Value Measurement</i>.</li> </ul>

*Other information*

The directors are responsible for the other information. The other information comprises the information included in the *Limuru Tea PLC Annual Report and Financial Statements as at 31 December 2022* but does not include the financial statements and our auditor's report thereon.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIMURU TEA PLC (CONTINUED)**

### **Report on the audit of financial statements (Continued)**

#### *Other information (continued)*

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015 as set out below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

#### *Directors' responsibilities for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards, and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF LIMURU TEA PLC (CONTINUED)**

**Report on the audit of financial statements (Continued)**

*Auditor's responsibilities for the audit of the financial statements (continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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 directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 legal and regulatory requirements**

As required by the Kenyan Companies Act, 2015 we report to you, solely based on our audit of the financial statements, that in our opinion:

- The information in the report of the directors for the year ended 31 December 2022 on page 7 and 8 is consistent with the financial statements; and
- The auditable part of the directors' remuneration report on pages 9 to 11 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

*The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Joseph Kariuki, Practicing Certificate Number 2102.*

**For and on behalf of:**

**KPMG Kenya  
Certified Public Accountants  
PO Box 40612  
00100 Nairobi GPO**

**Date: 6 April 2023**



**LIMURU TEA PLC****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**


	Note	2022 KShs'000	2021 KShs'000
Revenue	6(a)	122,937	84,269
Cost of sales	7	(112,671)	(103,684)
<b>Gross profit/( loss)</b>		<b>10,266</b>	<b>( 19,415)</b>
Gain/(loss) arising from changes in fair value of biological assets less costs to sell	18	4,691	( 441)
Other income	8	<u>4,715</u>	<u>6,784</u>
		<b>19,672</b>	<b>( 13,072)</b>
<b>Expenses</b>			
Administrative expenses	9(a)	( 7,418)	( 6,111)
Other operating expenses	9(b)	( 5,258)	( 2,606)
<b>Profit/(loss) from operating activities</b>		<b>6,996</b>	<b>( 21,789)</b>
Finance income	10	<u>9,294</u>	<u>7,591</u>
<b>Profit/(loss) before taxation</b>		<b>16,290</b>	<b>( 14,198)</b>
Income tax (charge)/credit	12(a)	( 4,945)	<u>4,643</u>
<b>Profit/(loss) after taxation</b>		<b>11,345</b>	<b>( 9,555)</b>
<b>Other comprehensive income:</b>			
<i>Items that will never be reclassified to profit or loss:</i>			
Actuarial gain on post-employment benefits obligation	17	788	1,520
Tax effect on actuarial gain on post-employment benefits obligation	16	( 236)	( 456)
<b>Total other comprehensive income net of income tax</b>		<b><u>552</u></b>	<b><u>1,064</u></b>
<b>Total comprehensive income for the year</b>		<b><u>11,897</u></b>	<b><u>( 8,491)</u></b>
<b>Basic and diluted earnings per share (KShs)</b>	13	<u>4.73</u>	<u>( 3.98)</u>

The notes set out on pages 35 to 67 form an integral part of these financial statements.

**LIMURU TEA PLC****STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 KShs'000	2021 KShs'000
<b>EQUITY (Page 32)</b>			
Share capital	14	24,000	24,000
Retained earnings		164,187	158,290
Proposed dividend		<u>6,000</u>	<u>-</u>
<b>Total equity</b>		<b><u>194,187</u></b>	<b><u>182,290</u></b>
<b>Non-current liabilities</b>			
Deferred income tax liability	16	330	-
Post-employment benefit obligations	17	<u>17,938</u>	<u>16,480</u>
		<b><u>18,268</u></b>	<b><u>16,480</u></b>
		<b><u>212,455</u></b>	<b><u>198,770</u></b>
<b>REPRESENTED BY:</b>			
<b>Non-current assets</b>			
Biological assets – fuel trees	18	5,293	2,737
Property and equipment	19	86,452	90,008
Deferred Tax Asset	16	<u>-</u>	<u>1,898</u>
		<b><u>91,745</u></b>	<b><u>94,643</u></b>
<b>Current assets</b>			
Biological asset - green leaf tea	18	5,086	2,951
Current income tax recoverable	12(c)	9,051	7,699
Receivables and prepayments	20	123,432	102,844
Cash and cash equivalents	21	<u>271</u>	<u>364</u>
		<b><u>137,840</u></b>	<b><u>113,858</u></b>
<b>Current liabilities</b>			
Post-employment benefit obligations	17	789	-
Payables and accrued expenses	22	<u>16,341</u>	<u>9,731</u>
		<b><u>17,130</u></b>	<b><u>9,731</u></b>
<b>Net current assets</b>		<b><u>120,710</u></b>	<b><u>104,127</u></b>
		<b><u>212,455</u></b>	<b><u>198,770</u></b>

The financial statements on pages 31 to 67 were approved and authorised for issue by the board of directors on \_\_\_\_\_ and signed on its behalf by:

DocuSigned by:  
  
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 Gerridina Johanna Maria Ten Den  
 Director

DocuSigned by:  
  
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 Samson Korir  
 Director

The notes set out on pages 35 to 67 form an integral part of these financial statements.

**LIMURU TEA PLC****STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>Share capital KShs'000</b>	<b>Retained earnings KShs'000</b>	<b>Proposed dividend KShs'000</b>	<b>Total equity KShs'000</b>
<b>2021</b>				
<b>At 1 January 2021</b>	24,000	166,781	-	190,781
<b>Total comprehensive income</b>				
Loss for the year	-	( 9,555)	-	( 9,555)
<b>Other comprehensive income:</b>				
Actuarial gain on post-employment benefit obligation net of tax	-	1,064	-	1,064
<b>Total comprehensive income for the year</b>	-	( 8,491)	-	( 8,491)
<b>At 31 December 2021</b>	<b>24,000</b>	<b>158,290</b>	<b>-</b>	<b>182,290</b>
<b>2022</b>				
<b>At 1 January 2022</b>	24,000	158,290	-	182,290
<b>Total comprehensive income</b>				
Profit for the year	-	11,345	-	11,345
<b>Other comprehensive income:</b>				
Actuarial gain on post-employment benefit obligation net of tax	-	552	-	552
<b>Dividends</b>				
Proposed Dividend for 2022	-	(6,000)	6,000	-
<b>Total comprehensive income for the year</b>	-	5,897	6,000	11,897
<b>At 31 December 2022</b>	<b>24,000</b>	<b>164,187</b>	<b>6,000</b>	<b>194,187</b>

The notes set out on pages 35 to 67 form an integral part of these financial statements.

**LIMURU TEA PLC**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 KShs'000	2021 KShs'000
<b>Operating activities</b>			
Cash used in operations	23	(5,082)	(3,502)
Interest received	10	9,294	7,591
Income tax paid	12(c)	(4,305)	(1,159)
<b>Net cash from operating activities</b>		<b>( 93)</b>	<b><u>2,930</u></b>
<b>Investing activities</b>			
Purchase of property and equipment	19	—	(2,873)
<b>Net cash used in investing activities</b>		<b>—</b>	<b><u>(2,873)</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b><u>( 93)</u></b>	<b><u>57</u></b>
<b>Movement in cash and cash equivalents:</b>			
At start of year		364	307
Increase		( 93)	57
<b>At end of year</b>	21	<b><u>271</u></b>	<b><u>364</u></b>

The notes set out on pages 35 to 67 form an integral part of these financial statements.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. GENERAL INFORMATION**

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

Nakuru – Kericho Highway  
PO Box 20  
20200 Kericho

The Company's shares are listed on the Nairobi Securities Exchange (NSE).

#### **2. BASIS OF PREPARATION**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

##### **(a) Statement of compliance**

The financial statements are prepared in accordance with and comply with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and the Kenyan Companies Act, 2015.

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

##### **(b) Basis of measurement**

The financial statements have been prepared under the historical cost convention, except for biological assets, which have been measured at fair value less costs to sell. Details of significant accounting policies are included under note 3.

##### **(c) Going Concern**

The Company's management has assessed the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

##### **(d) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards). IFRS Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events, actual results may ultimately differ from those estimates.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **2. BASIS OF PREPARATION (Continued)**

##### **(d) Use of estimates and judgements (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimations and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

##### **(e) Functional and presentation currency**

These financial statements are presented in Kenya shillings, which is the Company's functional currency. Except as indicated, financial information presented in Kenya shillings has been rounded to the nearest thousand.

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

- (i) Sales of goods are recognised in the period in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- (ii) Interest income is recognised on a time proportion basis using the effective interest method.

##### **(b) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the reporting date. Resulting exchange differences are recognised in profit or loss for the year.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(c) Property and equipment**

###### **(i) *Recognition and measurement***

Items of property and equipment are measured at cost/deemed cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Deemed cost (for bearer plants) is taken as the most recent fair value at the point of adoption of the IAS16 amendments on bearer plants in 2016.

###### **(ii) *Subsequent costs***

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

###### **(iii) *Depreciation***

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

— Buildings	25 - 40 years
— Motor vehicles	4 years
— Computers, fixtures and fittings	3 - 8 years
— Bearer plants	60 years

Depreciation methods, useful lives and residual values are reassessed and adjusted, if appropriate, at each reporting date.

###### **(iv) *Disposal of property and equipment***

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

##### **(d) Biological assets**

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

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(d) Biological assets (Continued)**

The fair value of fuel plantations is determined based on the net present values of expected future cash flows, discounted at current market-determined pre-tax rates.

All costs of planting, upkeep and maintenance of biological assets are recognised in profit or loss under cost of sales in the period in which they are incurred.

##### **(e) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by analysing its bank borrowings and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.



## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(e) Leases (continued)**

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities as separate lines in the statement of financial position.

##### ***Short-term leases and leases of low-value assets***

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### **(f) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and production overheads wherever appropriate incurred in acquiring inventories or to bring them to the existing location and condition. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses.

##### **(g) Taxation**

Income tax comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognized in equity or in other comprehensive income.

Current income tax is the amount of income tax payable or receivable on the taxable income or loss for the year determined in accordance with the enacted tax legislation, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(g) Taxation (continued)**

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the financial reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only if certain criteria are met.

##### **(h) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. When they exist, bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

##### **(i) Finance income and expenses**

Finance income and expenses comprises net foreign currency gains and losses and interest income and interest expenses.

Interest income is recognised as it accrues in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Finance costs comprise interest expense on borrowings, which is recognised as it accrues in profit and loss using the effective interest rate method.

##### **(j) Share capital**

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

##### **(k) 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.

##### **(l) Comparative information**

Where necessary, comparative figures have been represented to conform with changes in presentation in the current year.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(m) Employee's benefits**

###### **(i) *Post-employment benefits***

For unionised employees, the Company has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the union. Employees who resign after completing at least ten years of service are entitled to twenty-one days' pay for each completed year of service. The liability recognised in the statement of financial position is the present value of the estimated future cash outflows, calculated annually by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from changes in actuarial assumptions are recognised immediately in retained earnings through other comprehensive income. Past service costs are recognised immediately in profit/loss.

The Company operates a defined benefit scheme for its non-unionised employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme. A defined contribution scheme is a pension scheme under which the company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

###### **(ii) *Other entitlements***

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

##### **(n) Financial instruments**

Financial instruments include balances with banks, trade and other receivables, balances due from and to related parties and trade and other liabilities.

###### **(i) *Recognition***

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The Company recognises loans and receivables on the date when they are originated. These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

##### **(i) Recognition - continued**

All other financial instruments are recognized on the trade date which is the date on which the company becomes party to the contractual provisions of the instrument.

##### **(ii) Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

##### **(ii) Classification and subsequent measurement - continued**

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

##### **Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

# **LIMURU TEA PLC**

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

##### ***(iii) Derecognition***

##### **Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### **Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### ***(iv) Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, it is the Company policy to do so. This is done when the Company has an enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### **(o) Impairment**

##### ***(i) Non-derivative financial assets***

##### ***Financial instruments and contract assets***

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(o) Impairment (continued)**

##### **(i) *Non-derivative financial assets - continued***

##### *Financial instruments and contract assets - continued*

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

##### **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortised cost.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(o) Impairment (continued)**

##### **(i) *Non-derivative financial assets – continued***

##### **Measurement of ECLs - continued**

A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or being more than 90 days past due.
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise.
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

##### **Write-off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 90 days past due based on historical experience of recoveries of similar assets.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;



## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(o) Impairment (continued)**

##### **(i) *Non-derivative financial assets – continued***

###### **Write-off - continued**

- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For financial assets measured at amortised cost, the Company considered evidence of impairment for these assets at an individual level

In assessing impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

##### **(ii) *Non-financial assets***

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(p) New standards and interpretations**

The Company has adopted the following new standards and amendments during the year ended 31 December 2022, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2022.

**(i) Standards adopted during the year ended 31 December 2022 are summarized below;**

<b>New standard or amendments</b>	<b>Effective for annual periods beginning on or after</b>
— Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
— Annual Improvements to IFRS Standards 2018-2020	1 January 2022
— Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
— Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

The adoption of the above changes did not have a significant impact on the financial statements of the Company.

**(ii) New and amended standards and interpretations in issue but not effective for the year ended 31 December 2022**

<b>New amendments or interpretation</b>	<b>Effective for annual periods beginning on or after</b>
— IFRS 17 Insurance Contracts	1 January 2023
— Amendments to IFRS 17	1 January 2023
— Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
— Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
— Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
— Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023
— Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2024
— Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
— Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(p) New standards and interpretations (continued)**

##### **(ii) *New and amended standards and interpretations in issue but not effective for the year ended 31 December 2022 - continued***

New amendments or interpretation	Effective for annual periods beginning on or after
— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS10 and IAS 28)	Optional

Management have assessed that the above standards and amendments are not expected to have a significant impact on the Company's financial statements.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *Biological assets*

Critical assumptions are made by the directors in determining the fair values of biological assets. The key assumptions are set out in Note 18.

##### *Post-employment benefits*

The present value of the Company's gratuity obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligation. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

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

###### *Useful lives of plant and equipment*

The Company's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projected product lifecycles for its high-tech segment. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

###### *Income taxes*

The Company is subject to income taxes. Significant judgment is required in determining the Company'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 Company 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.

#### **5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities expose it to a variety of financial risks including credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Company does not hedge any risks.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

##### **(a) Market risk**

###### **(i) Foreign exchange risk**

The Company operates locally, and its transactions are in local currency. There is no exposure to foreign exchange risk.

###### **(ii) Price risk**

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

###### **(iii) Interest rate risk**

The Company earns interest on balances receivable from the parent, but the amount is not significant.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

##### **(b) Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company only sells its products to its parent and does not have any other significant concentration of credit risk. No collateral is held for any of the assets. All receivables are neither past due nor impaired and are within their approved credit limits, and no receivables have had their terms renegotiated. The Company's exposure to credit risk is summarized below:

	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Receivable from parent company (Note 24(e))	123,432	102,844
Bank balances (Note 21)	271	364
	<b><u>123,703</u></b>	<b><u>103,208</u></b>

Management believes that the amounts that are neither past due nor impaired will be collectible in full. The expected credit loss (ECL) applying IFRS 9 impairment assessment did not result in a material impairment. There has been no increase in credit risk between the current and comparative period.

##### **(c) Currency risk**

The Company is not exposed to foreign exchange as it has no transactions or balances denominated in any other currency other than Kenya Shillings.

##### **(d) interest rate risk**

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The Company's exposure to interest rate risk is due to a related party balance from Ekatererra Tea Kenya Plc of KShs 123,432,424 (2021 – KShs 102,843,787) which accrues interest based on the monthly Central Bank of Kenya treasury bill rate. The interest income accrued in the year ended 31 December 2022 was KShs 9,294,078 (2021 – KShs 7,591,445). Had the interest rate increased/decreased by 10%, there would have been an increase/decrease in the profit and loss by KShs 929,408 (2021 – KShs 759,145).

##### **(e) 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.

The table below analyses the 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 values, as the impact of discounting is not significant.

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****(e) Liquidity risk (continued)**

<b>31 December 2022:</b>	<b>Up to 1 month KShs'000</b>	<b>1-3 months KShs'000</b>	<b>3-12 months KShs'000</b>	<b>1-5 years KShs'000</b>	<b>Over 5 years KShs'000</b>	<b>Total KShs'000</b>
<b>Liabilities</b>						
Trade payables and accrued expenses	11,688	-	-	-	-	11,688
Post employment benefits obligation	-	-	789	-	17,938	18,727
Other payables	-	-	4,563	-	-	4,563
<b>Total liabilities</b>	<b>11,688</b>	<b>-</b>	<b>5,352</b>	<b>-</b>	<b>17,938</b>	<b>34,978</b>
<b>31 December 2021:</b>	<b>Up to 1 month KShs'000</b>	<b>1-3 months KShs'000</b>	<b>3-12 months KShs'000</b>	<b>1-5 years KShs'000</b>	<b>Over 5 years KShs'000</b>	<b>Total KShs'000</b>
<b>Liabilities</b>						
Trade payables and accrued expenses	9,187	-	-	-	-	9,187
Post employment benefit obligation	-	-	-	-	16,480	16,480
Other payables	-	-	544	-	-	544
<b>Total liabilities</b>	<b>9,187</b>	<b>-</b>	<b>544</b>	<b>-</b>	<b>16,480</b>	<b>26,211</b>

**(f) Capital risk management**

Capital comprises all components of equity (i.e. share capital and accumulated revenue reserves). The Company's objectives when managing capital are to safeguard the Company'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 Company may limit the amount of dividends paid to shareholders. During 2022 the Company's strategy which was unchanged from 2021, was to use funds generated from internal sources. No funds were borrowed from the market.

**(g) Fair value estimation**

The fair values of significant financial assets and liabilities approximates the carrying amounts as shown in the statement of financial position due to the short term nature of these items. The company did not have financial assets as at 31 December 2022 and 31 December 2021 classified under the following categories in the fair value hierarchy:

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

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****(g) Fair value estimation (continued)**

	<b>Financial assets at amortised cost KShs</b>	<b>Other financial liabilities KShs</b>	<b>Total carrying amount KShs</b>	<b>Fair value KShs</b>
<b>2022:</b>				
<b>Financial assets</b>				
Trade and other receivables	123,432	-	123,432	123,432
Cash at bank	271	-	271	271
<b>Total</b>	<b>123,703</b>	<b>-</b>	<b>123,703</b>	<b>123,703</b>
<b>Financial Liabilities</b>				
Trade and other payables	11,688	4,653	16,341	16,341
<b>Total</b>	<b>11,688</b>	<b>4,653</b>	<b>16,341</b>	<b>16,341</b>
<b>2021:</b>				
<b>Financial assets</b>				
Trade and other receivables	102,844	-	102,844	102,844
Cash at bank	364	-	364	364
<b>Total</b>	<b>103,208</b>	<b>-</b>	<b>103,208</b>	<b>103,208</b>
<b>Financial Liabilities</b>				
Trade and other payables	9,187	544	9,731	9,731
<b>Total</b>	<b>9,187</b>	<b>544</b>	<b>9,731</b>	<b>9,731</b>

**6. REVENUE****(a) Revenue**

	<b>2022 KShs'000</b>	<b>2021 KShs'000</b>
Sale of green tea leaf to ekaterra Tea Kenya Plc	<b><u>122,937</u></b>	<b><u>84,269</u></b>

# **LIMURU TEA PLC**

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

### **6. REVENUE (Continued)**

#### **(a) Revenue (continued)**

##### **Performance obligations and revenue recognition policies**

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over the green tea leaf to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

<b>Type of product/ service</b>	<b>Nature and timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition under IFRS 15</b>
<b>Green tea leaf</b>	The customer obtains control of the green tea leaf when it is delivered to and has been accepted at the customer's black tea factory. Invoices are generated at that point in time. The credit period varies depending on the agreement between the Company and the customer. These invoices are payable on demand.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.  The products are inspected before acceptance and the customer signs to acknowledge receipt of goods. Further, the customer indicates whether the goods are in a good condition and are as per the orders. Upon the confirmation, the Company is satisfied that the performance obligation has been met and revenue is recognised at this point.

#### **(b) Segment reporting**

The Company has only one business segment (growing of green tea leaf) and it sells all its produce to ekaterra Tea Kenya Plc which is domiciled in Kenya. Management has determined the operating segments based on the reports reviewed by the managing director that are used to make strategic decisions. All its assets are based in Kenya. The managing director assesses performance based on profit before income tax, as presented in the statement of profit or loss and other comprehensive income.

<b>7. COST OF SALES</b>	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Labour costs	85,473	81,800
Fertilizers and chemicals	13,421	9,142
Depreciation expense (Note 19)	3,530	3,085
Other costs and expenses	<u>10,247</u>	<u>9,657</u>
	<b><u>112,671</u></b>	<b><u>103,684</u></b>
<b>8. OTHER INCOME</b>		
Rent and sale of firewood	<u><u>4,715</u></u>	<u><u>6,784</u></u>



**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

<b>9. EXPENSES</b>	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
<b>(a) Administrative expenses</b>		
Administrative staff costs	2,519	1,758
Rates and utilities	2,728	1,694
Bank charges	277	305
Other expenses	<u>1,894</u>	<u>2,354</u>
	<b><u>7,418</u></b>	<b><u>6,111</u></b>
<b>(b) Other operating expenses</b>		
Subscriptions and publications	3,318	1,550
External audit fees	<u>1,940</u>	<u>1,056</u>
	<b><u>5,258</u></b>	<b><u>2,606</u></b>
<b>10. FINANCE INCOME</b>		
Interest income	<u>9,294</u>	<u>7,591</u>
<b>11. LOSS BEFORE TAX</b>		

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

	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Employee benefits expense	87,992	83,558
Depreciation of property and equipment (Note 19)	3530	3,085
Repairs and maintenance expenditure on property and equipment	1,269	1,807
Auditor's remuneration	638	1,056
Interest income	<u>(9,294)</u>	<u>(7,591)</u>

The following items are included within employee benefits expense:

	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Salaries and wages	84,131	79,142
Post-employment benefits costs:		
- Unfunded gratuity provision (Note 17)	3,035	3,583
- National Social Security Fund	<u>826</u>	<u>833</u>
	<b><u>87,992</u></b>	<b><u>83,558</u></b>

The average numbers of staff engaged by the company during the year were:

	<b>2022</b>	<b>2021</b>
Management	1	1
Non-management	132	133
Term contract employees	<u>212</u>	<u>167</u>
<b>Total</b>	<b><u>345</u></b>	<b><u>301</u></b>

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

12. TAXATION	2022 KShs'000	2021 KShs'000
(a) Income tax credit		
<i>Current income tax:</i>		
Current year	<u>2,953</u>	<u>2,560</u>
<i>Deferred tax:</i>		
Deferred tax charge/(credit) (Note 16)	<u>1,992</u>	<u>(7,203)</u>
<b>Income tax charge/(credit)</b>	<b><u>4,945</u></b>	<b><u>(4,643)</u></b>
(b) Reconciliation of effective tax rate		
The tax on the Company's loss before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
	2022 KShs'000	2021 KShs'000
Profit/(loss) before income tax	<u>16,290</u>	<u>(14,198)</u>
Tax at 30% (2021 – 30%)	4,887	( 4,259)
Tax effects of expenses not deductible for tax purposes	<u>58</u>	<u>( 384)</u>
<b>Income tax charge/(credit)</b>	<b><u>4,945</u></b>	<b><u>( 4,643)</u></b>
(c) Movement in tax recoverable		
Balance at 1 January	( 7,699)	( 9,100)
Charge for the year	2,953	2,560
Taxation paid	<u>( 4,305)</u>	<u>( 1,159)</u>
<b>Tax recoverable at 31 December</b>	<b><u>( 9,051)</u></b>	<b><u>( 7,699)</u></b>

**13. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Profit/loss attributable to equity holders of the Company (KShs'000')	<u>11,345</u>	<u>(9,555)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,400</u>	<u>2,400</u>
<b>Basic earnings per share (KShs)</b>	<b><u>4.73</u></b>	<b><u>3.98</u></b>

There were no potentially dilutive shares outstanding at 31 December 2022 (2021 – Nil). Diluted earnings per share are therefore the same as basic earnings per share.

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****14. SHARE CAPITAL**

	Number of shares '000	Ordinary shares capital KShs'000
<b>Authorised, issued and fully paid</b>		

Balance at 31 December 2021, 1 January 2022 and 31 December 2022-Par value of KShs 10 per share	<b><u>2,400</u></b>	<b><u>24,000</u></b>
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All issued shares are fully paid. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meeting of the Company.

**15. DIVIDENDS PER SHARE**

The Directors recommend a dividend of KShs 2.50/= per ordinary share for the year ended 31st December 2022, payable net of withholding tax on or about 30 June 2023, to shareholders on the register at the close of business on 14th April 2023.

**16. DEFERRED TAX**

Deferred tax is calculated, in full, on all temporary differences using a principal tax rate of 30%. Deferred tax (assets) and liabilities and deferred tax charge/(credits) in profit or loss, are attributable to the following items:

	At 1 January KShs'000	Charged/ (credited) to profit or loss KShs'000	Credited to other comprehensive income KShs'000	At 31 December KShs'000
<b>2022:</b>				
<b>Deferred tax liabilities</b>				
Biological assets	1,706	1,408	-	3,114
Property and equipment	<u>25,696</u>	<u>(1,007)</u>	-	<u>24,689</u>
	<u>27,402</u>	<u>401</u>	-	<u>27,803</u>
<b>Deferred tax assets</b>				
Post-employment benefit obligations	( 4,944)	( 910)	236	( 5,618)
Tax losses	<u>(23,852)</u>	<u>3,856</u>	-	<u>(19,996)</u>
Other temporary differences	<u>( 504)</u>	<u>(1,355)</u>	-	<u>( 1,859)</u>
	<u>(29,300)</u>	<u>1,591</u>	<u>236</u>	<u>(27,473)</u>
<b>Net deferred tax (asset)/liability</b>	<b><u>( 1,898)</u></b>	<b><u>1,992</u></b>	<b><u>236</u></b>	<b><u>330</u></b>

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****16. DEFERRED TAX (Continued)**

<b>2021:</b>	<b>At 1 January KShs'000</b>	<b>Charged/ (credited) to profit or loss KShs'000</b>	<b>Credited to other comprehensive income KShs'000</b>	<b>At 31 December KShs'000</b>
<b>Deferred tax liabilities</b>				
Biological assets	1,839	( 133)	-	1,706
Property and equipment	26,577	( 881)	-	25,696
	28,416	(1,014)	-	27,402
<b>Deferred tax assets</b>				
Post-employment benefit obligations	( 4,325)	(1,075)	456	( 4,944)
Tax losses	(17,526)	(6,326)	-	(23,852)
Other temporary differences	( 1,716)	1,212	-	( 504)
	(23,567)	(6,189)	456	(29,300)
<b>Net deferred tax liability/(asset)</b>	<b>4,849</b>	<b>(7,203)</b>	<b>456</b>	<b>( 1,898)</b>

The ageing of tax losses for the Company is as below:

<b>Year of origin</b>	<b>Amounts KShs '000</b>
2017	2,411
2018	-
2019	30,126
2020	13,030
2021	21,088
<b>Total</b>	<b>66,655</b>

**17. POST-EMPLOYMENT BENEFIT OBLIGATIONS**

The Company operates a defined benefit scheme for its non-unionised employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Post-employment benefit unfunded obligation comprises of the following:

	<b>2022 KShs'000</b>	<b>2021 KShs'000</b>
Post-employment service gratuity-noncurrent portion	17,938	16,480
Post-employment service gratuity-current portion	789	-
	<b>18,727</b>	<b>16,480</b>

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****17. POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

The movement in the present value of the unfunded obligation for service gratuities is as follows:

	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
At 1 January	16,480	14,417
Charged to income statement	3,035	3,583
Actuarial gain recognised in other comprehensive income	( 788)	( 1,520)
Payments in the year	<u>-</u>	<u>-</u>
<b>At 31 December</b>	<b><u>18,727</u></b>	<b><u>16,480</u></b>

The amounts recognised in the income statement for the year are as follows:

	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Current service cost	923	1,583
Interest cost	<u>2,112</u>	<u>2,000</u>
Total, included in employee benefits expense (Note 11)	<b><u>3,035</u></b>	<b><u>3,583</u></b>

The principal actuarial assumptions used were as follows:

	<b>2022</b>	<b>2021</b>
Discount rate	13.7%	12%
Future salary increases	9%	9%
Inflation	7.5%	7.5%

The interest rates are based on the interest rates of corresponding five-year government bond yields.

*Demographic assumptions*

The principal statistical assumption is the service-related rates of withdrawal from service.

The demographic assumptions have assumed that approximately half of the members do not reach the vesting requirement and of those who remain, a significant number leave soon after becoming vested.

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

	<b>Base assumptions</b>	<b>Discount rate + 0.5%</b>	<b>Discount rate - 0.5%</b>	<b>Salary increases + 0.5%</b>	<b>Salary increases - 0.5%</b>
<b>2022:</b>	<b>Shs 'millions'</b>	<b>Shs 'millions'</b>	<b>Shs 'millions'</b>	<b>Shs 'millions'</b>	<b>Shs 'millions'</b>
Liability	19	18	19	19	18
Service cost	2	2	2	2	1
Interest cost	2	2	2	2	2

## LIMURU TEA PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 17. POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

	Base assumptions	Discount rate + 0.5%	Discount rate - 0.5%	Salary increase + 0.5%	Salary increase - 0.5%
2021:	Shs 'millions'	Shs 'millions'	Shs 'millions'	Shs 'millions'	Shs 'millions'
			0.5%	Discou20	5%
Liability	16	16	17	17	16
Service cost	2	1	2	2	1
Interest cost	2	2	2	2	2

The above sensitivity analysis 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 defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension 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.

Through its post-employment benefit obligation, the company is exposed to a number of risks, the most significant of which are detailed below:

#### *Inflation risk*

Some of the company pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

#### *Life expectancy*

Majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

#### 18. BIOLOGICAL ASSETS

Biological assets comprise of fuel trees plantations and un-harvested green tea leaf on tea bushes at the reporting date.

#### *Fuel Trees*

Fuel trees are carried at fair value less costs to sell. The fair values of trees were determined based on the discounted net present values of expected net cash flows from those assets, discounted at a current market-determined pre-tax rate. In determining the fair values of fuel trees, the directors have made certain assumptions about the yields and market prices of trees in future years, and the costs of running the estates.

## **LIMURU TEA PLC**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

#### **18. BIOLOGICAL ASSETS (Continued)**

##### *Fuel Trees (continued)*

The key assumptions made concerning the future (projected over 8 years in respect of fuel trees) for 2022 and 2021 are as follows:

- Climatic conditions will remain the same
- It takes 8 years to achieve full economic benefit from growing Gum tree
- The market price tree plantations, in shilling terms, will approximate the average prices for the past 5 years
- One pole gives 0.36 cubic meter for trees harvested at 8 years with a 2.75 by 2.75 spacing, 0.51 cubic meter for trees harvested at 8 years with a 2 by 2 spacing
- Weighted Average Cost of Capital is 18.43%.
- Average distance from the Estate to factory is 10 kms

The discount rate applied to the expected net cash flows was 18.4% (2021 – 12.5%) based on the weighted average cost of capital.

The company also had 9.64 hectares (2021 – 9.64 hectares) of fuel tree plantations at year end.

##### *Un-harvested green tea leaf*

The un-harvested green leaf on tea bushes at the reporting date are measured at fair value less costs to sell using IAS 41 *Agriculture*. The directors have made certain assumptions about the yields and market prices of green tea leaf and the cost of running the estates as follows:

- The Company's average harvest cycle is 14 days. There is sufficient actual data immediately following the reporting date to be able to reliably estimate the agricultural produce at the reporting date.
- Weather conditions are expected to remain relatively stable.
- The green tea leaf price that the Company pays to its third party out-growers is a reasonable estimate of the price the Company expects to fetch for final product sold in the market (black tea) less processing and other incidental costs. Consequently, the out-grower rate has been used to fair value the un-harvested green tea leaf at the reporting date; and
- The harvest cycle is short enough (14 days) not to require discounting.

The Company's tea estates harvested 3,004,830 Kgs (2021 – 3,207,330 Kgs) of green tea leaf with a fair value of KShs 123 million (2021 – KShs 84 million) for the year ended 31 December 2022.

Fair values are categorised into three levels of fair value hierarchy based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- 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).

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****18. BIOLOGICAL ASSETS (Continued)**

The following table presents Company's biological assets that are measured at fair value at 31 December 2022, and 31 December 2021.

*Un-harvested green tea leaf – continued*

<b>Year ended 31 December 2022:</b>	<b>Level 1 KShs'000</b>	<b>Level 2 KShs'000</b>	<b>Level 3 KShs'000</b>	<b>Total KShs'000</b>
<b>Tea bushes</b>				
- Green tea leaf	-	5,086	-	5,086
<b>Fuel trees</b>				
- Mature	-	-	5,293	5,293
	-	5,086	5,293	10,379
<b>Year ended 31 December 2021:</b>	<b>Level 1 KShs'000</b>	<b>Level 2 KShs'000</b>	<b>Level 3 KShs'000</b>	<b>Total KShs'000</b>
<b>Tea bushes</b>				
- Green tea leaf	-	2,951	-	2,951
<b>Fuel trees</b>				
- Mature	-	-	2,737	2,737
	-	2,951	2,737	5,688

The fair value of biological assets at 31 December 2022 and 31 December 2021 is classified as follows:

<b>Year ended 31 December</b>	<b>2022 KShs'000</b>	<b>2021 KShs'000</b>
Non-current (fuel trees)	5,293	2,737
Current (green tea leaf)	5,086	2,951
	<b>10,379</b>	<b>5,688</b>

The movement in the fair value of the assets within level 3 of the hierarchy is as follows:

<b>Year ended 31 December</b>	<b>2022 KShs'000</b>	<b>2021 KShs'000</b>
At start of year	2,737	3,576
Gain/(loss) arising from changes in fair value less estimated costs to sell	2,556	( 839)
<b>At end of year</b>	<b>5,293</b>	<b>2,737</b>



## LIMURU TEA PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 18. BIOLOGICAL ASSETS (Continued)

##### *Un-harvested green tea leaf– continued*

The reconciliation of fair value changes is analysed below:

Year ended 31 December 2022	Green tea leaf KShs' 000	Fuel Trees KShs' 000	Total KShs' 000
<b>Carrying value as at 1 January 2022</b>	<b>2,951</b>	<b>2,737</b>	<b>5,688</b>
Changes due to price/cost estimate	1,976	994	2,970
Changes due to yield estimate/cash flow timing	159	1,562	1,721
Changes due to harvest			
	<b>2,135</b>	<b>2,556</b>	<b>4,691</b>
<b>Carrying value as at 31 December 2022</b>	<b>5,086</b>	<b>5,293</b>	<b>10,379</b>

Year ended 31 December 2021	Green tea leaf KShs' 000	Fuel Trees KShs' 000	Total KShs' 000
<b>Carrying value as at 1 January 2021</b>	<b>2,553</b>	<b>3,576</b>	<b>6,129</b>
Changes due to price/cost estimate	398	-	398
Changes due to yield estimate/cash flow timing	-	-	-
Changes due to harvest	-	( 839)	( 839)
	<b>398</b>	<b>( 839)</b>	<b>( 441)</b>
<b>Carrying value as at 31 December 2021</b>	<b>2,951</b>	<b>2,737</b>	<b>5,688</b>

The following table summarizes the techniques, significant unobservable inputs and the interrelationship between key unobservable inputs and fair value measurement of the biological assets.

Type	Fuel trees (standing timber)	Green tea leaf
<b>Valuation technique</b>	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for 8 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	The valuation model considers the fair value of the un-harvested green leaf tea as at December 2022. Green tea leaf volumes were determined by taking weighted average of a 14 day plucking cycle. This was then valued using the 2022 out-grower average price.
<b>Significant unobservable inputs</b>	<ul style="list-style-type: none"> <li>— Estimated future timber market prices per cubic meter (6.5% inflation of current prices of KShs 3,100/M3). (2021- 6.5% inflation prices of 2,242/M3).</li> <li>— Estimated future costs (6% inflation of current cost of KShs 2730/M3). (2021- 6.5% inflation of current cost of KShs 1694/M3).</li> <li>— Estimated yields per hectare 753M3 (2021-462M3).</li> <li>— Risk-adjusted annual discount rate (18.4%).(2021- 12%)</li> </ul>	<ul style="list-style-type: none"> <li>— Estimated unharvested green tea leaf volume as at year-end.</li> <li>— Own out-grower rate. Inability to obtain accurate green leaf tea market price.</li> </ul>

**LIMURU TEA PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**18. BIOLOGICAL ASSETS (Continued)**

Type	Fuel trees (standing timber)	Green tea leaf
<b>Inter-relationship between key unobservable inputs and fair value measurement</b>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>— The estimated timber prices per cubic meter were higher/(lower);</li> <li>— The estimated yields per hectare were higher/(lower);</li> <li>— The estimated harvest, replanting, weeding and transportation costs were lower/(higher); or</li> <li>— The risk-adjusted discount rates were lower/(higher).</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>— The out-grower green tea leaf prices per kilogram were higher/(lower);</li> <li>— The estimated unharvested volumes were higher/(lower);</li> </ul>

*Financial risk management strategies*

The Company is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks. The Company has strong environmental policies and procedures in place to comply with environmental and other laws.

**19. PROPERTY AND EQUIPMENT**

	<b>Buildings &amp; freehold land KShs'000</b>	<b>Motor vehicles KShs'000</b>	<b>Computers fixtures &amp; fittings KShs'000</b>	<b>Bearer plants KShs'000</b>	<b>Capital work in progress KShs'000</b>	<b>Total KShs'000</b>
<b>2022:</b>						
<b>Cost</b>						
At 1 January 2022	5,579	1,624	18	231,020	2,873	241,114
Transfers out	2,873	-	-	-	(2,873)	-
Disposals	( 177)	-	-	-	-	( 177)
<b>At 31 December 2022</b>	<b>8,275</b>	<b>1,624</b>	<b>18</b>	<b>231,020</b>	<b>-</b>	<b>240,937</b>
<b>Depreciation</b>						
At 1 January 2022	4,159	1,624	18	145,305	-	151,106
Charge for the year	168	-	-	3,362	-	3,530
Disposal	( 151)	-	-	-	-	( 151)
<b>At 31 December 2022</b>	<b>4,176</b>	<b>1,624</b>	<b>18</b>	<b>148,667</b>	<b>-</b>	<b>154,485</b>
<b>Carrying amount</b>						
<b>At 31 December 2022</b>	<b>4,099</b>	<b>-</b>	<b>-</b>	<b>82,353</b>	<b>-</b>	<b>86,452</b>

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****19. PROPERTY AND EQUIPMENT (Continued)**

<b>2021:</b>	<b>Buildings &amp; freehold land KShs'000</b>	<b>Motor vehicles KShs'000</b>	<b>Computers fixtures &amp; fittings KShs'000</b>	<b>Bearer plants KShs'000</b>	<b>Capital work in progress KShs'000</b>	<b>Total KShs'000</b>
<b>Cost</b>						
At 1 January 2021	5,579	1,624	18	231,020	-	238,241
Additions	-	-	-	-	2,873	2,873
<b>At 31 December 2021</b>	<b>5,579</b>	<b>1,624</b>	<b>18</b>	<b>231,020</b>	<b>2,873</b>	<b>241,114</b>
<b>Depreciation</b>						
At 1 January 2021	4,020	1,624	18	142,359	-	148,021
Charge for the year	139			2,946		3,085
<b>At 31 December 2021</b>	<b>4,159</b>	<b>1,624</b>	<b>18</b>	<b>145,305</b>	<b>-</b>	<b>151,106</b>
<b>Carrying amount</b>						
<b>At 31 December 2021</b>	<b><u>1,420</u></b>	<b>-</b>	<b>-</b>	<b>85,715</b>	<b>2,873</b>	<b>90,008</b>

**20. RECEIVABLES**

**2022**  
**KShs'000**

**2021**  
**KShs'000**

Receivable from parent (Note 24 (e)) **123,432** **102,844**

The carrying amounts of the receivables approximate their fair values.

**21. CASH AND CASH EQUIVALENTS**

**2022**  
**KShs'000**

**2021**  
**KShs'000**

Cash at bank **271** **364**

**22. PAYABLES AND ACCRUED EXPENSES**

Trade payables and accrued expenses 11,688 9,187

Other payables **4,653** **544**

**16,341**

**9,731**

The carrying amounts of the above trade and other payables approximate to their fair values.

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****23. CASH (USED IN)/GENERATED FROM OPERATIONS**

Reconciliation of profit/(loss) before income tax to cash (used in)/generated from operations:

	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Profit /(loss) before income tax	16,290	(14,198)
Adjustments for:		
Interest income (Note 10)	( 9,294)	( 7,591)
Depreciation (Note 19)	3,530	3,085
Loss on disposal of property and equipment	26	-
Loss/(gain) arising from changes in fair value less estimated costs to sell for biological assets (Note 18)	( 4,691)	441
Post-employment benefit obligations – charge to income statement (Note 17)	3,035	3,583
Changes in working capital:		
- receivables and prepayments	(20,588)	21,096
- payables and accrued expenses	<u>6,610</u>	<u>( 9,918)</u>
<b>Cash used in operations</b>	<b><u>( 5,082)</u></b>	<b><u>( 3,502)</u></b>

**24. RELATED PARTY TRANSACTIONS**

The Company is controlled by ekaterra Tea Kenya Plc incorporated in Kenya. The ultimate parent and ultimate controlling related party of the Company is ekaterra Plc, incorporated in England and Wales. There are other companies that are related to Limuru Tea PLC through common shareholdings.

The following transactions were carried out with related parties:

<b>(a) Sale of goods and services</b>	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
ekaterra Tea Kenya Plc: Sale of green tea leaf	<u>122,937</u>	<u>84,269</u>
<b>(b) Purchase of services</b>		
Services from ekaterra Tea Kenya Plc	<u>2,433</u>	<u>1,685</u>
<b>(c) Key management compensation</b>		
The company is managed by its parent company ekaterra Tea Kenya Plc and is charged management fees. It does not pay any remuneration to its key management personnel other than the directors' remuneration below.		
<b>(d) Directors' remuneration</b>	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Director's fees	<u>2,519</u>	<u>2,691</u>

**LIMURU TEA PLC****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)****24. RELATED PARTY TRANSACTIONS (Continued)****(e) Outstanding balances arising from sale of goods and services**

	<b>2022</b>	<b>2021</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Receivables from ekaterra Tea Kenya Plc	<b><u>123,432</u></b>	<b><u>102,844</u></b>

The amount due from ekaterra Tea Kenya Plc is interest earning. The interest rate is pegged on the rate of Kenya Government securities. At 31 December 2022, the interest rate was 8.8% (2021 – 7.27%).

**25. EVENTS AFTER REPORTING DATE**

There were no significant events after the reporting date with a financial statement impact at 31 December 2022.

**LIMURU TEA PLC****PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION SCHEDULE****Ten largest shareholders as at 31 December 2022**

<b>Shares</b>	<b>Names</b>
1,247,976	UNILEVER TEA KENYA LIMITED
655,488	STANDARD CHARTERED NOMINEES A/C 9532
81,444	POPAT, HASSAN
80,000	BROOKSHIRE LIMITED
72,700	AFRICA REIT LIMITED
60,000	ADAM ALIMOHAMED
19,466	SBM BANK NOMINEES LTD A/C 3018
12,200	MORJARIA, SHARDABEN VITHALDAS
12,000	AMIN, AMBUBHAI N. AMIN & MRS KUSUMBEN AMBUBHAI
10,356	SHAH, SHANTABEN DEVSHI
<b>2,251,630</b>	

**Distribution of shareholders as at 31 December 2022**

<b>Category</b>	<b>No. of Shareholders</b>	<b>%</b>	<b>No. of shares</b>
1- 1,000 Shares	176	0.9613	23072
1,001 - 5,000 Shares	29	2.4134	57922
5,001 - 10,000 Shares	8	2.3898	57356
10,001 - 100,000 Shares	9	14.9244	358186
100,001 - 500,000 Shares	0	0	0
Over 500,000 Shares	2	79.311	1903464
<b>TOTAL</b>	<b>224</b>	<b>100.0000</b>	<b>2400000</b>

**Shareholders' profile**

<b>Category</b>	<b>No. of Shareholders</b>	<b>%</b>	<b>No. of Shares</b>
Foreign individual investors	6	0.870	20880
Foreign company investors	2	0.049	1172
Local individual investors	204	39.108	938599
Local company investors	12	59.973	1439349
	<b>224</b>		<b>2400000</b>

None of the Directors of the Company hold shares in the Company.

**LIMURU TEA PLC****PROXY FORM**

I/We \_\_\_\_\_

*(please use block letters)*

being a member/members of Limuru Tea Plc. hereby appoint \_\_\_\_\_

*(please use block letters)*

failing whom the Chair of the meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the **Ninety Eight Annual General Meeting** of the Company to be held on **26<sup>th</sup> May 2023 at 11:00am** and at any adjournment thereof.

I/We desire to vote on the resolutions set out in the notice of the meeting as shown below *(please tick the appropriate space)*.

		Resolution	For	Against
	<b>ORDINARY BUSINESS</b>			
1.	I adopt the balance sheet and the financial statements for the year ended 31 December 2022 and the Reports of the Directors and Auditors thereon.	2		
2.	I approve a final dividend of KShs 2.50/= per ordinary share for the year ended 31 December 2022, payable net of withholding tax on or about 30 <sup>th</sup> June 2023, to shareholders on the register of Members at the close of business on 14 <sup>th</sup> April 2023.	3		
3.	I re-appoint Dorcas Muli who retires by rotation in accordance with Article 100 of the Articles of Association of the Company and being eligible, offers herself for re-election.	4		
4.	In accordance with the provisions of Section 769 of the Companies Act, 2015, I appoint Directors: Sarah Mbuya, Felgona Omollo and Samson Korir being members of the Board Audit Committee be elected to continue to serve as members of the said Committee.	5		
5.	I approve the Directors' remuneration report for the year ended 31 <sup>st</sup> December 2022.	6		
6.	I approve the appointment of KPMG as the Auditors of the Company authorize the Directors to fix the Auditors' remuneration for the ensuing financial year.	7		
	<b>SPECIAL BUSINESS</b>			
a)	I approve that the Articles of Association of the Company be amended by deleting Article 116 and 117 in entirety.	a)		

As witness my/our hand this \_\_\_\_\_ day \_\_\_\_\_ 2023

Signature(s) \_\_\_\_\_

**LIMURU TEA PLC**

**PROXY FORM (CONTINUED)**

**Notes**

1. *A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A form of proxy is enclosed.*
2. *In the case of a member being a limited liability company or corporate body, the form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.*
3. *Shareholders who will not be able to attend the meeting are requested to complete and return the Proxy Form, so as to reach the Company Secretary, Limuru Tea Plc., PO Box 9287 - 00100, Nairobi not later than 24<sup>th</sup> May 2023.*
4. *In accordance with Article 133 of the Company's Articles of Association a copy of the Audited Financial Statements may be viewed on and obtained from the Company's website or from the Registered Office of the Company. An abridged set of the audited Balance Sheet, Income Statement, Statement of Changes in Equity and Cashflow Statements for the year ended 31<sup>st</sup> December 2022 have been published in two daily newspapers with nationwide circulation.*