

# KAKUZI PLC

## EXTRACT FROM THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD OF SIX MONTHS TO 30 JUNE 2020

The unaudited results for the Kakuzi Group for the period of six months to 30 June 2020 and the comparative figures for the previous year are as follows:

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income			Condensed Consolidated Statement of Financial Position			
	30 June 2020 Shs'000	30 June 2019 Shs'000		30 June 2020 Shs'000	30 June 2019 Shs'000	Audited 31 December 2019 Shs'000
<b>Sales</b>	<u>889,909</u>	<u>619,463</u>	<b>EQUITY</b>			
Profit before fair value gain in non-current biological assets and income tax	186,022	334,857	Share capital	98,000	98,000	98,000
Fair value gain in non-current biological assets	18,095	20,225	Other reserves	31,463	19,653	31,463
<b>Profit before income tax</b>	<u>204,117</u>	<u>355,082</u>	Retained earnings	5,087,249	4,621,004	4,814,462
Income tax credit/(expense)	<u>68,670</u>	<u>(109,501)</u>	Proposed dividends	-	-	274,400
<b>Profit for the period</b>	<u>272,787</u>	<u>245,581</u>	<b>Total equity</b>	<u>5,216,712</u>	<u>4,738,657</u>	<u>5,218,325</u>
<b>Other Comprehensive Income:</b>			Non-current liabilities	914,503	972,478	1,007,047
<i>Items that are not reclassified to profit or loss:</i>				<u>6,131,215</u>	<u>5,711,135</u>	<u>6,225,372</u>
Remeasurement of post-employment benefit obligations (net of tax)	-	-	<b>REPRESENTED BY</b>			
<b>Total comprehensive income</b>	<u>272,787</u>	<u>245,581</u>	Non-current assets	3,920,666	3,745,481	3,868,015
	<b>Shs</b>	<b>Shs</b>	Current assets	1,568,992	1,371,745	896,890
<b>Earnings per share (Shs):</b>			Cash and cash balances	1,013,062	1,004,188	1,696,130
Basic and diluted earnings per ordinary share	<u>13.92</u>	<u>12.53</u>	Current liabilities	(371,505)	(410,279)	(235,663)
			Net current assets	2,210,549	1,965,654	2,357,357
				<u>6,131,215</u>	<u>5,711,135</u>	<u>6,225,372</u>

  

Condensed Consolidated Statement of Cash flows			Condensed Consolidated Statement of Changes in Equity					
	30 June 2020 Shs'000	30 June 2019 Shs'000		Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Equity Shs'000
<b>Cash and cash equivalents at the beginning of the year</b>	<u>1,696,130</u>	<u>1,500,935</u>	At start of the year	98,000	31,463	4,814,462	274,400	5,218,325
Net cash used in operating activities	(226,022)	(86,944)	Profit for the period	-	-	272,787	-	272,787
Net cash used in investing activities	(195,489)	(235,314)	Dividends paid	-	-	-	(274,400)	(274,400)
Net cash used in financing activities	(274,413)	(176,400)	At end of period	<u>98,000</u>	<u>31,463</u>	<u>5,087,249</u>	<u>-</u>	<u>5,216,712</u>
Effect of exchange rate differences on cash and cash equivalents	12,856	1,911						
<b>Decrease in cash and cash equivalents</b>	<u>(683,068)</u>	<u>(496,747)</u>						
<b>Cash and cash equivalents at the end of the year</b>	<u>1,013,062</u>	<u>1,004,188</u>						

### RESULTS:

The profit before tax for the period to June 2020 was KSh 204.1 million compared to a profit of KSh 355.1 million for the same period last year. This is principally due to a financial provision write back in 2019.

During the first half of the year, avocado profits are on a par with 2019, macadamia profits are greater, and our tea operations made an operating loss of KSh 11.3 million compared to a loss of KSh 1.1 million in 2019.

The profit after tax for the period to 30 June 2020 was KSh 272.8 million compared to a profit of KSh 245.5 million for the same period last year. This is principally due to the release of deferred tax provision in view of the reduction of the Corporate tax rate to 25% from 30% by the Government.

The Directors do not recommend the payment of an interim dividend.

### BY ORDER OF THE BOARD

**G H MCLEAN**

**CHAIRMAN**

**18 AUGUST 2020**

**KAKUZI PLC**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD OF SIX MONTHS TO 30 JUNE 2020**  
**(UNAUDITED)**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
Chairman's statement	2 – 4
Consolidated and separate statement of profit or loss and other comprehensive income	5
Consolidated statement of financial position	6
Separate statement of financial position	7
Consolidated statement of changes in equity	8
Separate statement of changes in equity	9
Consolidated and separate statement of cash flows	10
Notes to the consolidated and separate interim financial statements	11 – 18

**Directors:**

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

**Registrars:**

Custody & Registrars Services Limited  
Bruce House, 6<sup>th</sup> Floor  
Standard Street  
P. O. Box 8484, Nairobi 00100  
Telephone: (020) 2230242  
Facsimile: (020) 2211773

**Secretary:**

John L G Maonga  
Maonga Ndonge Associates  
P. O. Box 73248  
00200 NAIROBI  
Telephone (020) 2149923

**Registered Office:**

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

## **RESULTS**

The profit **before** tax for the period to June 2020 was KSh 204.1 million compared to a profit of KSh 355.1 million for the same period last year. This is principally due to a financial provision write back in 2019.

During the first half of the year, avocado profits are on a par with 2019, macadamia profits are greater, and our tea operations made an operating loss of KSh 11.3 million compared to a loss of KSh 1.1 million in 2019.

The profit **after** tax for the period to 30 June 2020 was KSh 272.8 million compared to a profit of KSh 245.5 million for the same period last year. This is principally due to the release of deferred tax provision in view of the reduction of the Corporate tax rate to 25% from 30% by the Government.

## **DIVIDEND**

The Directors do not recommend the payment of an Interim Dividend.

## **OVERVIEW**

The COVID-19 pandemic has created additional challenges and complexities to the day to day management of the Company. These are across the spectrum of our operations including employees' welfare, logistics and market volatility. However, despite these challenges we have continued to harvest, export and sell our produce.

We are grateful to all our staff, County and National Government agencies who have, and continue to play an essential role in keeping operations ongoing during this time.

The avocado market suffered a double blow during the period. Initially with the closure of the food service sector in Northern Europe due to the pandemic lock downs. This was followed by successive record arrivals of fruit from Peru which flooded the market and crashed the price. A recovery in the market price is currently noted as Peruvian volumes normalise. The re-emergence of the food service sector has begun but it is unlikely to be rebuilt by the year end.

Macadamia production levels have been in line with expectations however, the markets have again suffered a significant downturn in the key export destinations for Kakuzi of the USA and Japan. Despite worldwide production of nuts being lower, this is not enough to counter the impact on sales prices and in some cases delayed orders.

The tea market has also experienced depressed prices due to record volumes of production in Kenya this year so far.

Treated wood product sales have remained within expectations during the period. Our beef sales are however lower, mainly as a result of limited foot fall through our normal trading outlets.

The initial blueberry crop has been received well in various regional outlets and we are preparing to commence exporting in the fourth quarter of the year.

## **OPERATIONS**

Our main export season for Hass avocado began in June and is anticipated to end in early September. Similarly, the main macadamia crop has been harvested and processed and we are still on course for a second harvest in November.

Macadamia production is as per our expectation and we look to further increase the areas under production in the coming years. The production facility is operating well with an increased cracking capacity commissioned in the first quarter of the year.

Despite the very wet conditions experienced in the first half of the year our arable operations have done well. Animal feed sales are as per expectations and, in line with the National food security strategy, we continue to expand this important aspect to our business.

Blueberry production has been negatively impacted by the wet and overcast conditions experienced in the first half of the year. Consequently, we have downgraded yield expectations for this year.

The financial impact on the business from COVID-19 is unclear so as a precaution we have delayed some capital projects. Key crop developments however, have continued, including completion of the avocado pack house extension and further plantings of new avocado areas.

Despite the COVID-19 concerns the Company agreed a Collective Bargaining Agreement for 2020 with KPAWU and implemented a 10% increase in wages for its 2,500 unionisable employees.

### **CSR & SUSTAINABILITY**

The Corporate Social responsibility team continued active engagement with the neighboring communities. Before the announcement of the first confirmed case of Covid- 19 in Kenya, the community engagements covered a wide spectrum of CSR activities, specifically, economic empowerment, environmental management, education, water and sanitation. Over the period, we have also continued to plant indigenous trees not only across the farm but also in the neighboring communities with emphasis on schools in the first quarter of 2020. This initiative is part of our wider environmental strategy on the reduction of air pollution as well contribution towards meeting Sustainable Development Goal number 13.

In the second quarter our CSR efforts were targeted at dealing with the effects of the Covid-19 pandemic and preventing the spread of the same. The Company has put in place numerous initiatives to reduce the exposure to infection of its employees, visitors and members of the surrounding communities.

Within the Company, we have formulated appropriate policies and protocols, put in place all the World Health Organisation and Ministry of Health hygiene measures, provided face masks to our employees, decongested workplaces and implemented social distancing. In order to cushion employees from possible food shortages and price hikes, we have purchased adequate stocks of staple food items for sale at cost.

Through our Tabasamu menstrual health program, we have continued to provide menstrual hygiene awareness and purchased sanitary pads for our female employees and teenage girls living within our villages.

We have enhanced the capacity of our existing medical team by employing additional nurses, Public Health Officers and Community Health Workers who are tasked with carrying out extensive health education and maintaining the appropriate hygiene standards of our workplaces and residential premises.

To address the issue of school closures the Company has purchased over 30 radios which have been distributed to all employee residential areas. Under social distancing conditions children can access education through the school radio programs broadcasted by The Kenya Institute of Curriculum Development.

In the community, we have purchased and installed a number of hand wash stations in our neighboring towns and market centres and continue to replenish these with the water and soap. Furthermore, we continue issuing face masks to members of the surrounding community. Kakuzi has also donated over 30 tonnes of food to the community through the local administration and elected representatives.

Kakuzi has also supported the Murang'a County Government in the fumigation and disinfecting of market centres. The Company also donated state of the art motorized mist blowers for up-close fumigation of common use places.

Furthermore in support of Murang'a Level 5 Hospital, the Company donated various medical equipment, including ICU beds, patient monitors, syringe pumps as well as Personal Protective Equipment for health workers.

### **STRATEGIC GOALS & DEVELOPMENTS**

We remain committed to our strategic plan, focusing on our core crops of avocado, tea and macadamia as well as forestry production, arable farming and rearing livestock. Increased blueberry production is very much within our future development plans depending upon the outcome of the commercial trials. Value addition for both avocado and macadamia nuts are also key developments currently under evaluation.

The Board reviews these plans on a regular basis and sets capital budgets to match this strategy.

**LOOKING AHEAD**

The current pandemic makes projections for the year even more complicated than usual. We believe that consumer preferences for healthy food and nut-based diets will continue to increase however, we do expect that the medium-term impact of COVID-19 will increase market and price volatility.

The Company is also defending itself from a UK legal firm who wishes to bring Kakuzi into the jurisdiction of the United Kingdom. The costs of this action to 30<sup>th</sup> June 2020 are included in the half year results.

The continued decline of tea prices remains a concern given record production levels in Kenya. The correlation between high production and low prices cannot be escaped however, how this equation is once again balanced is a far more complex issue of international demand, currency fluctuations and local consumption trends.

**G H MCLEAN**  
**CHAIRMAN**  
**18<sup>th</sup> AUGUST 2020**

## Consolidated and separate statement of profit or loss and comprehensive income

	Notes	6 Months to 30 June 2020 Shs'000	6 Months to 30 June 2019 Shs'000
<b>Sales</b>	3	889,909	619,463
Gains arising from changes in fair value less cost to sell of non current biological assets	10(i)	18,095	20,225
		<hr/>	<hr/>
		908,004	639,688
Cost of sales		(645,528)	(283,108)
		<hr/>	<hr/>
<b>Gross profit</b>		262,476	356,580
Other income	4	5,580	4,250
Selling and Distribution costs	3	(130,321)	(64,165)
		<hr/>	<hr/>
<b>Operating profit</b>		137,735	296,665
Interest income	5	53,558	56,506
Finance income	5	12,824	1,911
		<hr/>	<hr/>
<b>Profit before income tax</b>		204,117	355,082
Income tax credit/(expense)	6	68,670	(109,501)
		<hr/>	<hr/>
<b>Profit for the period</b>		272,787	245,581
<b>Other comprehensive income</b>		-	-
		<hr/>	<hr/>
<b>Total comprehensive income</b>		272,787	245,581
		<hr/> <hr/>	<hr/> <hr/>
		<b>Shs</b>	<b>Shs</b>
<b>Earnings per share:</b>			
Basic and diluted earnings per ordinary share	7	13.92	12.53
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Consolidated statement of financial position

	Notes	30 June 2020 Shs'000	30 June 2019 Shs'000	Audited 31 December 2019 Shs'000
<b>EQUITY</b>				
Share capital		98,000	98,000	98,000
Other reserves		31,463	19,653	31,463
Retained earnings		5,087,249	4,621,004	4,814,462
Proposed dividend		-	-	274,400
<b>Total equity</b>		<b>5,216,712</b>	<b>4,738,657</b>	<b>5,218,325</b>
<b>Non-current liabilities</b>				
Deferred income tax		833,888	901,010	932,166
Post employment benefit obligations		80,263	71,087	74,500
Lease obligations		352	381	381
		914,503	972,478	1,007,047
<b>Total equity and non current liabilities</b>		<b>6,131,215</b>	<b>5,711,135</b>	<b>6,225,372</b>
<b>REPRESENTED BY</b>				
<b>Non current assets</b>				
Property, plant and equipment	9	2,975,899	2,836,532	2,913,234
Biological assets	10(i)	709,279	675,224	715,376
Right of use assets		4,299	4,781	4,781
Financial assets held at amortised cost	12	200,000	200,000	200,000
Non current receivables		31,189	28,944	34,624
		3,920,666	3,745,481	3,868,015
<b>Current assets</b>				
Biological assets – growing agricultural produce	10(ii)	352,091	308,515	219,979
Inventories		840,786	624,334	401,693
Receivables and prepayments		376,115	364,190	275,218
Current tax recoverable		-	67,014	-
Financial assets held at amortised cost	12	-	7,692	-
Cash and cash equivalents		1,013,062	1,004,188	1,696,130
		2,582,054	2,375,933	2,593,020
<b>Current liabilities</b>				
Payables and accrued expenses		331,389	382,363	181,711
Current tax payable		21,471	-	35,355
Lease obligations		79	63	31
Post employment benefit obligations		18,566	27,853	18,566
		371,505	410,279	235,663
<b>Net current assets</b>		<b>2,210,549</b>	<b>1,965,654</b>	<b>2,357,357</b>
		6,131,215	5,711,135	6,225,372

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Separate statement of financial position

		30 June 2020	30 June 2019	31 December 2019
	Notes	Shs'000	Shs'000	Shs'000
<b>EQUITY</b>				
Share capital		98,000	98,000	98,000
Other reserves		31,463	19,653	31,463
Retained earnings		5,083,108	4,616,863	4,810,321
Proposed dividend		-	-	274,400
<b>Total equity</b>		<b>5,212,571</b>	<b>4,734,516</b>	<b>5,214,184</b>
<b>Non current liabilities</b>				
Deferred income tax		833,888	901,010	932,166
Post employment benefit obligations		80,263	71,087	74,500
Lease obligations		352	381	381
		914,503	972,478	1,007,047
<b>Total equity and non current liabilities</b>		<b>6,127,074</b>	<b>5,706,994</b>	<b>6,221,231</b>
<b>REPRESENTED BY</b>				
<b>Non current assets</b>				
Property, plant and equipment	9	2,975,899	2,836,532	2,913,234
Biological assets	10(i)	709,279	675,224	715,376
Right of use assets		4,299	4,781	4,781
Investments in subsidiaries		4,295	4,295	4,295
Financial assets held at amortised cost	12	200,000	200,000	200,000
Non current receivables		31,189	28,944	34,624
		3,924,961	3,749,776	3,672,310
<b>Current assets</b>				
Biological assets – growing agricultural produce	10(ii)	352,091	308,515	219,979
Inventories		840,786	624,334	401,693
Receivables and prepayments		376,115	364,190	275,218
Current tax recoverable		-	66,961	-
Financial assets held at amortised cost	12	-	7,692	-
Cash and cash equivalents		1,013,062	1,004,188	1,696,130
		2,582,054	2,375,880	2,593,020
<b>Current liabilities</b>				
Payables and accrued expenses		339,772	390,746	190,094
Current tax payable		21,524	-	35,408
Lease obligations		79	63	31
Post employment benefit obligations		18,566	27,853	18,566
		379,941	418,662	244,099
<b>Net current assets</b>		<b>2,202,113</b>	<b>1,957,218</b>	<b>2,348,921</b>
		<b>6,127,074</b>	<b>5,706,994</b>	<b>6,221,231</b>

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.



## Consolidated statement of changes in equity

	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
<b>Period ended 30 June 2020</b>					
At start of year	98,000	31,463	4,814,462	274,400	5,218,325
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	272,787	-	272,787
Other comprehensive income	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>272,787</b>	<b>-</b>	<b>272,787</b>
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2019	-	-	-	(274,400)	(274,400)
	-	-	-	(274,400)	(274,400)
At end of period	98,000	31,463	5,087,249	-	5,216,712
	<b>Share capital Shs'000</b>	<b>Other reserves Shs'000</b>	<b>Retained earnings Shs'000</b>	<b>Proposed dividend Shs'000</b>	<b>Total equity Shs'000</b>
<b>Period ended 30 June 2019</b>					
At start of year	98,000	19,653	4,375,423	176,400	4,669,476
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	245,581	-	245,581
Other comprehensive income	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>245,581</b>	<b>-</b>	<b>245,581</b>
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2018	-	-	-	(176,400)	(176,400)
	-	-	-	(176,400)	(176,400)
At end of period	98,000	19,653	4,621,004	-	4,738,657

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Separate statement of changes in equity

	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
<b>Period ended 30 June 2020</b>					
At start of year	98,000	31,463	4,810,321	274,400	5,214,184
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	272,787	-	272,787
Other comprehensive income	-	-	-	-	-
<b>Total</b>	-	-	272,787	-	272,787
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2019	-	-	-	(274,400)	(274,400)
	-	-	-	(274,400)	(274,400)
At end of period	98,000	31,463	5,083,108	-	5,212,571
	<b>Share capital Shs'000</b>	<b>Other reserves Shs'000</b>	<b>Retained earnings Shs'000</b>	<b>Proposed dividend Shs'000</b>	<b>Total equity Shs'000</b>
<b>Period ended 30 June 2019</b>					
At start of year	98,000	19,653	4,371,282	176,400	4,665,335
<b>Total comprehensive income for the period:</b>					
Profit for the period	-	-	245,581	-	245,581
Other comprehensive income	-	-	-	-	-
<b>Total</b>	-	-	245,581	-	245,581
<b>Transactions with owners:</b>					
Dividends:					
- Final for 2018	-	-	-	(176,400)	(176,400)
	-	-	-	(176,400)	(176,400)
At end of period	98,000	19,653	4,616,863	-	4,734,516

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Consolidated and separate statement of cash flows

	Notes	6 months to 30 June 2020 Shs'000	6 months to 30 June 2019 Shs'000
<b>Operating activities</b>			
Cash utilised by operations	14	(236,088)	(135,970)
Interest received	5	53,558	56,506
Income tax paid		(43,492)	(7,480)
		<hr/>	<hr/>
Net cash used in operating activities		(226,022)	(86,944)
		<hr/>	<hr/>
<b>Investing activities</b>			
Purchase of property, plant and equipment	9	(189,996)	(240,708)
Purchase of biological assets and development	10(i)	(5,807)	(7,089)
Proceeds from disposal of property, plant and equipment		314	4,790
Proceeds from redemption of financial assets held at amortised cost	12	-	7,693
		<hr/>	<hr/>
Net cash used in investing activities		(195,489)	(235,314)
		<hr/>	<hr/>
<b>Financing activities</b>			
Dividend paid		(274,400)	(176,400)
Lease payments		(13)	-
		<hr/>	<hr/>
Net cash used in financing activities		(274,413)	(176,400)
		<hr/>	<hr/>
<b>Decrease in cash and cash equivalents</b>		<hr/> <hr/> (695,924)	<hr/> <hr/> (498,658)
<b>Movement in cash and cash equivalents</b>			
At start of year		1,696,130	1,500,935
Decrease		(695,924)	(498,658)
Effect of exchange rate differences on cash and cash equivalents	5	12,856	1,911
		<hr/>	<hr/>
At end of period	11	1,013,062	1,004,188
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 18 are an integral part of these consolidated and separate interim financial statements.

## Notes

### 1. General information

Kakuzi Plc is incorporated in Kenya under the Kenyan Companies Act 2015 as a public limited liability company and is domiciled in Kenya.

### 2. Basis of preparation and changes to the Group's accounting policies

#### 2.1 Basis of preparation

These interim financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). These interim financial statements are presented in the functional currency, Kenya Shillings (Shs), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the carrying of biological assets and agricultural produce at fair values less costs to sell.

These unaudited interim consolidated and company financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's last annual consolidated and company financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). Selected explanatory notes are included to explain events and transactions that are significant for an understanding of the changes in the Group's financial position and performance since the last annual financial statements. Where necessary, comparative figures have been adjusted to conform with presentation in the current year.

The Consolidated and Company statement of profit or loss and other comprehensive income are presented as one and the same since the subsidiaries are dormant and did not have any transactions during the period.

#### 2.2 Use of judgements and estimates

In preparing these interim consolidated and company financial statements, the Directors have made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

#### 2.3 New standards, interpretations and amendments adopted by the Group.

The accounting policies adopted in the preparation of the interim consolidated and company financial statements are consistent with those followed in the preparation of the last annual financial statements, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

## Notes (continued)

### 2.3 New standards, interpretations and amendments adopted by the Group (continued)

- 2.4 Costs that incur unevenly during the financial year are anticipated or deferred in the interim only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.
- 2.5 Income tax expense is recognised based on the annual income tax rate expected for the full financial year. The annual tax rate used for 2020 is 25% (2019 was 30%).

### 3. Segmental reporting - Group

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

The Group operates in two geographical areas, Makuyu and Nandi Hills, under several operating segments. The principal operating segments currently consist of Avocados, Macadamia, Tea and Forestry. The business activities of livestock, joint projects and blueberries are included under “all other segments” as they individually fall below the threshold of 10% of Group sales.

Segmental assets consist primarily of property, plant and equipment, biological assets, inventories, receivables and prepayments. Unallocated assets are property, plant and equipment, inventories relating to Main Office and Engineering Stores. Segmental liabilities consist primarily of borrowings, payables and accrued expenses. Unallocated liabilities are taxes, borrowings and non-current liabilities.

Notes (continued)

3. Segmental reporting (continued)

The segment information for the reportable segments for the six month period ended 30 June 2020 and 30 June 2019 is as follows:

	2020 Tea Shs'000	2019 Shs'000	2020 Avocados Shs'000	2019 Shs'000	2020 Macadamia Shs'000	2019 Shs'000	2020 Forestry Shs'000	2019 Shs'000	2020 All other segments Shs'000	2019 Shs'000	2020 Consolidated Shs'000	2019 Shs'000
<b>Sales to external customers</b>												
Sales	131,066	88,803	334,385	190,432	259,205	187,632	152,616	143,521	12,637	9,075	889,909	619,463
<b>Comprising</b>												
Major external customers sales	131,066	88,803	291,255	174,347	247,602	172,897	-	-	-	-	669,923	436,047
All other external customers sales	-	-	43,130	16,085	11,603	14,735	152,616	143,521	12,637	9,075	219,986	183,416
	131,066	88,803	334,385	190,432	259,205	187,632	152,616	143,521	12,637	9,075	889,909	619,463
<b>Sales to:</b>												
UK & Continental Europe	-	-	291,255	174,347	247,602	172,897	-	-	-	-	538,857	347,244
Kenya	131,066	88,803	43,130	16,085	11,603	14,735	152,616	143,521	12,637	9,075	351,052	272,219
	131,066	88,803	334,385	190,432	259,205	187,632	152,616	143,521	12,637	9,075	889,909	619,463

**Notes (continued)**

**3. Segmental reporting (continued)**

	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Tea		Avocados		Macadamia		Forestry		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Profit/(loss)</b>												
Gross profit/(loss) before depreciation and fair value changes	(2,698)	6,192	260,259	108,643	263,478	158,154	34,765	41,997	(27,407)	(26,032)	528,397	288,954
Changes in fair value of non-current biological assets	-	-	-	-	-	-	-	-	18,095	20,225	18,095	20,225
Changes in fair value of agricultural produce	(594)	125	172,409	258,411	(39,704)	(42,531)	-	-	-	-	132,111	216,005
Release of provisions relating to prior years	-	103,253	-	-	-	-	-	-	-	-	-	103,253
Unallocated administrative expenditure	-	-	-	-	-	-	-	-	(288,854)	(166,520)	(288,854)	(166,520)
Depreciation charge	(7,968)	(7,449)	(53,391)	(40,174)	(40,910)	(35,124)	(3,423)	(2,756)	(21,581)	(19,834)	(127,273)	(105,337)
<b>Gross profit/(loss)</b>	<b>(11,260)</b>	<b>102,121</b>	<b>379,277</b>	<b>326,880</b>	<b>182,864</b>	<b>80,499</b>	<b>31,342</b>	<b>39,241</b>	<b>(319,747)</b>	<b>(192,161)</b>	<b>262,476</b>	<b>356,580</b>
Selling and Distribution costs	-	-	(118,039)	(54,944)	(12,282)	(9,221)	-	-	-	-	(130,321)	(64,165)
Segment profit/(loss)	(11,260)	102,121	261,238	271,936	170,582	71,278	31,342	39,241	(319,747)	(192,161)	132,155	292,415
Other income	3,310	1,331	-	-	-	-	-	-	2,270	2,919	5,580	4,250
<b>Operating profit</b>	<b>(7,950)</b>	<b>103,452</b>	<b>261,238</b>	<b>271,936</b>	<b>170,582</b>	<b>71,278</b>	<b>31,342</b>	<b>39,241</b>	<b>(317,477)</b>	<b>(189,242)</b>	<b>137,735</b>	<b>296,665</b>
Interest income	-	-	-	-	-	-	-	-	53,558	56,506	53,558	56,506
Finance income	-	-	-	-	-	-	-	-	12,824	1,911	12,824	1,911
Profit/(loss) before income tax	(7,950)	103,452	261,238	271,936	170,582	71,278	31,342	39,241	(251,095)	(130,825)	204,117	355,082
Income tax expense	(2,675)	(31,904)	87,888	(83,860)	57,389	(21,981)	10,544	(12,101)	(84,476)	40,345	68,670	(109,501)
Profit/(loss) for the period	(10,625)	71,548	349,126	188,076	227,971	49,297	41,886	27,140	(335,571)	(90,480)	272,787	245,581
<b>Assets (all located in Kenya)</b>												
Segment assets	991,601	669,770	2,135,891	1,793,850	1,409,485	1,078,801	505,278	543,976	458,008	483,140	5,500,263	4,569,537
Unallocated assets											1,002,457	1,551,877
											6,502,720	6,121,414
<b>Liabilities</b>												
Segment liabilities	63,295	77,530	-	86,278	-	53,295	-	13,251	-	150,354	63,295	380,708
Unallocated liabilities											1,222,713	1,002,049
											1,286,008	1,382,757
<b>Additions</b>												
Property, plant and equipment	6,532	2	82,821	147,642	53,074	63,889	64	457	47,505	28,718	189,996	240,708
Biological assets	863	494	-	-	-	-	4,944	6,595	-	-	5,807	7,089
	7,395	496	82,821	147,642	53,074	63,889	5,008	7,052	47,505	28,718	195,803	247,797

**Notes (continued)**

	<b>6 months to 30 June 2020 Shs'000</b>	<b>6 months to 30 June 2019 Shs'000</b>
<b>4. Other income/(losses) – Group and company</b>		
Net foreign exchange losses, other than on cash and cash equivalents	(400)	(927)
Gain on disposal of property, plant and equipment	256	430
Rental income	2,130	2,022
Sundry	3,594	2,725
	<u>5,580</u>	<u>4,250</u>
<b>5. Interest income and finance income/(costs) – Group and company</b>		
<b>Interest income</b>		
Interest income on short term bank deposits	53,558	56,506
	<u>53,558</u>	<u>56,506</u>
<b>Finance income/(costs)</b>		
Net foreign exchange gains on cash and cash equivalents	12,856	1,911
Interest on lease liabilities	(32)	-
	<u>12,824</u>	<u>1,911</u>
<b>6. Income tax – Group and company</b>		
Income tax expense is recognised based on the annual income tax rate expected for the full financial year. The annual tax rate used for 2020 is 25% (2019: 30%).		
Current income tax expense	(29,608)	(22,048)
Deferred income tax credit/(charge)	98,278	(87,453)
	<u>68,670</u>	<u>(109,501)</u>
<b>7. Basic and diluted earnings per ordinary share</b>		
Basic and diluted earnings per ordinary share are calculated on the profit attributable to the members of Kakuzi Plc and on the 19,599,999 ordinary shares in issue at 30 June 2020 and 30 June 2019.		
The Company had no potentially dilutive ordinary shares outstanding at 30 June 2020 or 30 June 2019.		
<b>8. Dividend</b>		
The directors do not recommend the payment of an interim dividend (2019: Nil).		



**Notes (continued)**

**9. Capital expenditure – Group and Company**

	<b>30 June 2020</b> <b>Shs'000</b>	<b>30 June 2019</b> <b>Shs'000</b>
<b>Property, plant and equipment</b>		
Opening net book value – 1 January	2,913,234	2,705,521
Capital expenditure – additions	189,996	240,708
Disposals	(58)	(4,360)
Depreciation	(127,273)	(105,337)
Closing net book value – 30 June	<u>2,975,899</u>	<u>2,836,532</u>

**10. Biological assets – Group and Company**

**(i) Non current biological assets**

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

	<b>Livestock</b> <b>Shs'000</b>	<b>Group</b> <b>Plantations</b> <b>Shs'000</b>	<b>Total</b> <b>Shs'000</b>
<b>Period ended 30 June 2020</b>			
At 1 January 2020	145,076	570,300	715,376
Increase due to purchases and development	-	5,807	5,807
Gains arising from changes in fair value less costs to sell	18,095	-	18,095
Decrease due to harvest and sales	(14,752)	(15,247)	(29,999)
<b>At 30 June 2020</b>	<u>148,419</u>	<u>560,860</u>	<u>709,279</u>
<b>Period ended 30 June 2019</b>			
At 1 January 2019	128,552	555,650	684,202
Increase due to purchases and development	-	7,089	7,089
Gains arising from changes in fair value less costs to sell	20,225	-	20,225
Decrease due to harvest and sales	(15,851)	(20,441)	(36,292)
<b>At 30 June 2019</b>	<u>132,926</u>	<u>542,298</u>	<u>675,224</u>

**(ii) Current biological assets i.e growing agricultural produce**

Growing agricultural produce on bearer plants as at the reporting date

	<b>30 June 2020</b> <b>Shs'000</b>	<b>30 June 2019</b> <b>Shs'000</b>
Avocado	320,777	290,812
Macadamia	29,229	15,177
Pineapples	-	-
Tea	2,085	2,526
	<u>352,091</u>	<u>308,515</u>

The gains arising from changes in fair value of the growing agricultural produce on bearer plants is included within cost of production.

**Notes (continued)**

**11. Cash and cash equivalents – Group and Company**

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

	<b>30 June 2020</b> <b>Shs'000</b>	<b>30 June 2019</b> <b>Shs'000</b>
Cash at bank and in hand	133,674	55,562
Short term deposits	879,388	948,626
	<hr/>	<hr/>
	1,013,062	1,004,188
	<hr/> <hr/>	<hr/> <hr/>

**12. Financial assets held at amortised cost – Group and Company**

	<b>30 June 2020</b> <b>Shs'000</b>	<b>30 June 2019</b> <b>Shs'000</b>
At start of the year	200,000	215,385
Redeemed in the period	-	(7,693)
	<hr/>	<hr/>
At end of period	200,000	207,692
	<hr/> <hr/>	<hr/> <hr/>
Non current portion	200,000	200,000
Current portion	-	7,692
	<hr/>	<hr/>
	200,000	207,692
	<hr/> <hr/>	<hr/> <hr/>

**13. Capital commitments – Group and Company**

Capital expenditure contracted for at the statement of financial position date but not recognised in the consolidated interim financial statements is as follows:-

	<b>30 June 2020</b> <b>Shs'000</b>	<b>30 June 2019</b> <b>Shs'000</b>
Property, plant and equipment	17,906	37,533
Biological assets	-	-
	<hr/>	<hr/>
	17,906	37,533
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**14. Cash generated from operations – Group and Company**

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

	Notes	6 months to 30 June 2020 Shs'000	6 months to 30 June 2019 Shs'000
Profit before income tax		204,117	355,082
Adjustments for:			
Interest income	5	(53,558)	(56,506)
Net exchange gains on foreign currency cash and cash equivalents	5	(12,856)	(1,911)
Depreciation	9	127,273	105,337
Amortisation of prepaid operating lease rentals		-	-
Profit on sale of property, plant and equipment		(256)	(430)
Depreciation of right of use assets		482	10
Interest costs on adoption of IFRS 16	5	32	32
Gains arising from changes in fair value less cost to sell of non current biological assets	10(i)	(18,095)	(20,225)
Decrease in fair value of biological assets due to sales and harvest and disposal	10(i)	29,999	36,292
Fair value movement in biological assets – growing agricultural produce		(132,112)	(119,762)
Changes in working capital:			
- Increase in inventories (including fair value movement in biological assets)		(439,093)	(454,858)
- Increase in receivables and prepayments		(97,462)	(2,325)
- Increase in payables and accrued expenses		149,678	19,587
- Increase in post employment benefit obligations		5,763	3,707
		<hr/>	<hr/>
Cash utilised by operations		(236,088)	(135,970)
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