KAKUZI

Growing Together

KAKUZI PLC

INTERIM FINANCIAL STATEMENTS FOR THE PERIOD OF SIX MONTHS TO 30 JUNE 2023

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KAKUZI
Growing Together

Chairman's Statement

NICHOLAS NG'ANG'A
CHAIRMAN

KEY HIGHLIGHTS

- Avocado profits have **more than doubled** in 2023 to **Ksh 654.8 million**, up from **Ksh 288.6 million** in 2022
- Global macadamia glut persists leading to a **Ksh 329 million sectoral loss** for the macadamia business
- Recovery expected as Kakuzi macadamia **domestic market retail sales efforts doubled up** to mitigate international market risks
- Pretax profit down by **65%** to **Ksh 171.1 million** from **Ksh 494.7 million**
- Avocado **exports to China up** on last year.

TRADING PERFORMANCE

The half-year trading for the financial year 2023 is in line with our expectations given the challenging macadamia markets. As highlighted at the Annual General Meeting, we expect the global macadamia glut situation to persist throughout the balance of 2023 financial year and may be into 2024.

In 2022 the half year profits for the macadamia business were Ksh 339 million. This year the situation has reversed to a loss of Ksh (329) million. The disappointment is that in our biggest markets of China, Japan and the USA, the same quality macadamia nut kernels are now selling for less than half the price recorded during the same period last year even as production volumes from all source markets continue to grow.

On the positive side the contribution from our avocado business is double that of last year, Ksh 654.8 million against Ksh 288.6 million for the same period in 2022. This represents a 126.9% growth attributed to diversified market sales (China and European) and increased production due to favourable weather conditions and recovery from the off-production season.

Our focus on quality, traceability and sustainability is holding us in good position in all our markets especially as we continue to solidify our market and brand positioning as a preferred superfoods grower and exporter to the Far East and European markets.

Our harvest season for Hass avocados opened in June based on technical maturity tests and the harvest is progressing well. We anticipate that production targets will be met this harvest season.

The macadamia harvests are also well underway with the volumes and quality remaining consistent with the pre-harvest forecast.

Although our blueberry volumes are still significantly low vis-a-vis the avocado and macadamia outputs, the revenue stream remains firmly within the business plans and continues to inspire further investments. The performance of the tea, forestry, livestock, and arable land operations continue to play their important role in our crop portfolio.

At Kakuzi, we remain committed to a shared prosperity business model that prioritizes all our stakeholder needs. Growing our business in a sustainable manner, actively implementing our Kakuzi, Community Partnerships, answering the call for climate action and using best practices in all we do to promote our values remains our focus.

DIVIDEND

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

OVERVIEW & OPERATIONS

Field and market diversification operations in the first half of the year remained focused on the harvesting and export of the Pinkerton avocado crop, the establishment of new blueberry varieties, the development and launch of the new Kakuzi brand consumer packs, including the commissioning of a new macadamia oil processing facility taking centre stage. Our cold pressed macadamia oil products will provide consumers with a quality and healthy alternative to imported vegetable oils with the added assurance that the product has been produced from our own orchards to the highest food safety standards. The commissioning of the macadamia oil processing facility is part of our Company's efforts to step up the availability of value-added macadamia products as we strive to mitigate the global market glut through increased local consumption.

Our livestock operations are steadily recovering from the recent drought in the first few months of the year with sales beginning to pick on the back of growing demand for Kakuzi beef cuts in the retail and Hotel/Restaurant/Catering (HoReCa) market. The goat meat venture has now been trademarked as KABUZI with initial sales due to commence in the second half of the year.

Arable land operations Rhodes grass production for quality hay, have been expanded with plans for further developments to meet the ever-increasing demand from Murang'a, Kiambu, Nyeri, Meru and Laikipia livestock farmers. The price pledge that we do not hike animal feed prices in the dry season is at the core of our commitment to our customer base.

The demand for quality, sustainable forestry products continues to increase. Demand for treated fencing posts is rising as we see more and more farmers invest in good agricultural practices requiring proper paddocking. Although timber sales have slowed marginally, there is an increasing market segment where sustainability credentials are crucial.

We intend to increase our irrigation water resources further this year to help mitigate against the negative impacts of climate change.

Avocado and macadamia orchards expansion plans remain on course, as we believe both of these crops have good future potential despite the headwinds the worldwide macadamia industry is currently facing.

VALUE ADDITION AND DIVERSIFICATION

Our Kakuzi private label consumer packs range now covers various macadamia products from the traditional nuts to cereal mixes, honey coated nuts, cold pressed premium cooking oils and gluten free macadamia home baking flour. The range is complimented by our grass-fed meat products, including biltong and soon, goat meat.

Conscious of the food basket inflation prevalent in the market, our macadamia cooking oil is priced competitively to provide consumers a healthy alternative to imported vegetable oils.

All Kakuzi value added consumer products are manufactured from quality raw materials sourced from our own orchards with true 'Farm to Fork' credentials, reassuring our customers that these foods have been produced responsibly to the highest food safety and quality standards.

As earlier announced the development of the first Kakuzi Farmers Market near our head office along the dual carriageway between Kenol and Sagana is now in high gear. The Kakuzi Farmers Market retail centre will provide further opportunities to market our value-added consumer products while providing other farmers with a convenient market place to sell their local produce.

Avocado

The international Hass markets faced their traditional headwinds in June as Peru entered both the China and Europe markets with considerable volumes of fruit. Volumes and prices have now stabilized and we anticipate the balance of the year to be well supplied. However, given the very hot and dry conditions in North Africa and Southern Europe there may be an impact on production volumes coming out of Morocco, Portugal, Israel and Spain. These origins do not necessarily supply fruit during the same period as Kenya but it does illustrate that climate change is occasioning an impact on the avocado industry. The availability of secure and sustainable water resources, we believe, will become a key issue for the avocado industry in the near future.

The early season Pinkerton crop performed reasonably well and we still believe that despite competition from South Africa, this variety continues to demonstrate its usefulness to the Kakuzi product portfolio.

Notably, exports to China hit record levels this season, which in turn caused a slump in the market prices. The Chinese market is developing at a reasonable pace but for Kenyan produce to truly become dominant it is imperative that only quality fruit which will ripen correctly is exported to the market.

Macadamia

The key macadamia markets are showing some sign of recovery but a glut due to the worldwide carry forward kernel stock from 2022 continues to depress prices. Macadamia nuts are a luxury product in key USA and European markets and given the cost-of-living concerns, there may be a reduction in demand. However, lower prices also tend to stimulate innovation where macadamia become more commonly used in the catering ingredients sector. Ultimately increasing the use of macadamias must be good for the industry but to do this in the long term will require producers to recognize that pricing has to reflect that of other nuts.

The Chinese market is also showing signs of recovery especially for Nut in Shell sales. Kenyan producers are unable to participate in this market as nut in shell exports remain banned. Nut in shell prices currently exceed that of processed kernel. However, as the surplus kernel stocks are consumed, we do expect this differential to narrow down.

Blueberry

The new varieties are performing well and out-yielding the previous variety. We are in the process of evaluating the full financial feasibility model for this crop to assist the Board asses future expansion opportunities.

Our current sales have outstripped production especially in the domestic market where consumers are seeing both the taste and health benefits of this superfood. We hope that over the next 12 months our supply volumes will increase to match this demand as well as supplying more to regional and international markets.

OTHER CROPS

Demand for quality, sustainable grown forestry products is increasing, especially for fencing material and in some market segments, timber. We continue to evaluate the possibilities of greater value addition for our timber products.

Our Tea plantations remain on a steady trajectory although the tea industry continues to face challenges caused by a combination of Forex shortages in key markets, declining demand in some markets and an abundance of choice for buyers seeking quality teas.

As always, forecasting how worldwide production levels, demand and prices will perform going forward is an inaccurate science. However, given the impacts of climate change in some key producing countries this may create further market disruptions. By Kakuzi focusing on climate change mitigation through its water stewardship, composting and integrated pest management programs we believe these climate action interventions will help us navigate through these uncertain times.

KAKUZI, COMMUNITY PARTNERSHIPS

Our commitment to community relations continued through consultations, collaborations, and partnerships with various stakeholders and we appreciate the support of all of these in our various endeavors.

In the first half of the year we successfully completed our annual third-party socio-environmental certification including GlobalGAP, Rainforest Alliance, FSSC 22000, SMETA, GRASP and Spring among others. These important international certifications systems demonstrate our commitments to environmental and social standards.

The launch of our new website has also allowed us to showcase our Kakuzi, Community Partnership programs in line with the United Nations Sustainable Development Goals (SDGs), in particular SDG3-Good Health and Well-being, SDG4-Quality Education, SDG5-Gender Equality, SDG6-Clean Water and Sanitation, SDG8-Decent Work and Economic Growth, SDG-Climate Action.

Our Operational Level Grievance Mechanism (OGM), Sikika, which translates to "Be heard", continues to provide multiple avenues for our employees and the community to raise any grievances and issues they would like the Company to address. Independent reports on the work of SIKIKA also feature on our web-site.

Some of the significant Kakuzi, Community Partnership initiatives carried out within the first half of the year are as follows:

Good health and Well-being (SDG3)

The Company donated medical equipment comprising a delivery couch, autoclave machine, digital baby weighing scale and suction machine to the Gikono Dispensary maternity wing.

Our menstrual health programme held several activities during World Menstrual Hygiene Month in May. The month was marked with training in several schools where 1,732 sanitary towels and 1,081 pieces of soap were distributed to 2,095 learners.

Quality Education (SDG4)

Kakuzi has constantly invested in education to ensure that children in our community get quality education. We continue to support the employment of six Board of Management (BOM) teachers in the three schools within our operations. Moreover, the Company organised a leadership and management mentorship forum for head teachers and BOM members for the three primary schools; Kakuzi, Kinyangi and Kitito, to develop a school improvement plan that captures the curriculum and co-curriculum activities.

This year, the Company started a scholarship programme for top pupils in the three schools to fully fund their secondary school education. Further, the Company has placed students on a mentorship programme to evaluate their academic progress, offer life skills and support their general development.

Our investment in school infrastructure provides pupils with a conducive learning environment that promotes the realization of educational goals. We continue to donated equipment to many schools in and around our Makuyu operations.

The Kinyangi Primary School was also rehabilitating to provide a good learning environment for over 240 learners in the primary and junior secondary sections.

Clean water and Sanitation (SDG 6)

Kakuzi invests in SDG6 as a way of striving towards greater availability of clean water and sanitation in our community. The Company donated water harvesting systems and tanks to Karung'angi, Kaharo Girls, Matunda Secondary and Punda Milia Primary School. The Company constructed 24 sanitation blocks for over 900 learners in six schools: Kinoo, Kinyangi, Marema, Mianyani primary, Thangira Umoja and Maragua Ridge Secondary.

Decent Work and Economic Growth (SDG 8)

We completed a three-phase skill transfer programme involving equipping 100 local youth with knowledge to make energy-saving stoves. The trained youth were engaged by the Company to construct 360 energy-saving stoves for local households. Cumulatively 1,000 households received double energy-saving stoves. With the skills acquired, the youth now have marketable skills which are useful to them going forward. Further, the Company donated 15 beehives to two community groups and 150 Macadamia and 50 Avocado tree seedlings to farmers in Kigumo during a youth career day forum organized by Murang'a Governor, Irungu Kang'ata.

STRATEGIC GOALS & DEVELOPMENTS

The Board recently completed the evaluation of a comprehensive 10-year development plan and I am happy to report that as well as our continued crop expansion and large-scale blueberry production, we are also evaluating the financial viability of various renewable energy technologies, carbon neutral technologies and retail center investment ventures.

We believe that the potential addition of these ventures will enhance shareholder value significantly.

Under our newly launched 'Growing Together' brand value, we are committed to our goals of sustainability, being at the forefront of the need for climate smart farming and further rebuilding on our work within the surrounding communities.

LOOKING AHEAD

The business remains stable with several growth driver opportunities and opportunities currently under execution. In agri-business, flexibility and business planning dynamism is an imperative for growth and shareholder value enhancement. Such flexibility and dynamism require the leadership to actively navigate the challenging environment by strategically mitigating risks.

Whether it is international market prices, the potential impacts of climate change or inflationary price pressure on key inputs our only critical success factors remain enhanced efficiency, acting prudently and taking a long-term well considered view.

We believe that our ethos and strategic plans will continue to enhance the returns on investment for our shareholders and value to all our stakeholders.

NICHOLAS NG'ANG'A
CHAIRMAN

24 August 2023

Consolidated and separate statement of profit or loss and comprehensive income

	Notes	6 Months to 30 June 2023 Shs'000	6 Months to 30 June 2022 Shs'000
Sales	3	873,155	1,026,492
Gain arising from changes in fair value less cost to sell of non current biological assets	10(i)	21,591	22,826
		894,746	1,049,318
Cost of sales		(717,057)	(563,280)
Gross profit		177,689	486,038
Other income	4	74,269	43,752
Selling and Distribution costs	3	(123,243)	(82,855)
Operating profit		128,715	446,935
Interest income	5	42,437	47,766
Finance costs	5	(33)	(33)
Profit before income tax		171,119	494,668
Income tax expense	6	(53,621)	(153,398)
Profit for the period		117,498	341,270
Other comprehensive income		-	-
Total comprehensive income		117,498	341,270
		Shs	Shs
Earnings per share:			
Basic and diluted earnings per ordinary share	7	5.99	17.41

The notes on pages 15 to 21 are an integral part of these consolidated and separate interim financial statements.

Consolidated statement of financial position

	Notes	30 June 2023 Shs'000	30 June 2022 Shs'000	Audited 31 December 2022 Shs'000
EQUITY				
Share capital		98,000	98,000	98,000
Other reserves		32,815	37,991	32,815
Retained earnings		5,465,134	5,313,502	5,347,636
Proposed dividend		-	-	470,400
Total equity		5,595,949	5,449,493	5,948,851
Non-current liabilities				
Deferred income tax		1,100,085	1,010,011	1,097,473
Post employment benefit obligations		102,668	88,508	89,538
Lease obligations		326	326	326
		1,203,079	1,098,845	1,187,337
Total equity and non current liabilities		6,799,028	6,548,338	7,136,188
REPRESENTED BY				
Non current assets				
Property, plant and equipment	9	3,089,920	3,066,285	3,085,814
Biological assets	10(i)	861,380	790,523	857,287
Right of use assets		4,187	4,236	4,236
Financial assets held at amortised cost	12	100,000	100,000	100,000
Non current receivables		42,159	38,019	42,332
		4,097,646	3,999,063	4,089,669
Current assets				
Biological assets – growing agricultural produce	10(ii)	1,076,895	582,089	614,103
Inventories		1,275,229	1,288,670	870,230
Receivables and prepayments		490,455	288,490	498,689
Cash and cash equivalents		239,675	840,966	1,408,744
Financial assets held at amortised cost	12	-	100,000	-
		3,082,254	3,100,215	3,391,766
Current liabilities				
Payables and accrued expenses		308,161	399,599	228,839
Current tax payable		24,954	111,612	68,684
Lease obligations		201	168	168
Post employment benefit obligations		47,556	39,561	47,556
		380,872	550,940	345,247
Net current assets		2,701,382	2,549,275	3,046,519
		6,799,028	6,548,338	7,136,188

The notes on pages 15 to 21 are an integral part of these consolidated and separate interim financial statements.

Separate statement of financial position

	Notes	30 June 2023 Shs'000	30 June 2022 Shs'000	Audited 31 December 2022 Shs'000
EQUITY				
Share capital		98,000	98,000	98,000
Other reserves		32,815	37,991	32,815
Retained earnings		5,460,993	5,309,361	5,343,495
Proposed dividend		-	-	470,400
Total equity		5,591,808	5,445,352	5,944,710
Non current liabilities				
Deferred income tax		1,100,085	1,010,011	1,097,473
Post employment benefit obligations		102,668	88,508	89,538
Lease obligations		326	326	326
		1,203,079	1,098,845	1,187,337
Total equity and non current liabilities		6,794,887	6,544,197	7,132,047
REPRESENTED BY				
Non current assets				
Property, plant and equipment	9	3,089,920	3,066,285	3,085,814
Biological assets	10(i)	861,380	790,523	857,287
Right of use assets		4,187	4,236	4,236
Investments in subsidiaries		4,295	4,295	4,295
Financial assets held at amortised cost	12	100,000	100,000	100,000
Non current receivables		42,159	38,019	42,332
		4,101,941	4,003,358	4,093,964
Current assets				
Biological assets – growing agricultural produce	10(ii)	1,076,895	582,089	614,103
Inventories		1,275,229	1,288,670	870,230
Receivables and prepayments		490,455	288,490	498,689
Cash and cash equivalents		239,675	840,966	1,408,744
Financial assets held at amortised cost	12	-	100,000	-
		3,082,254	3,100,215	3,391,766
Current liabilities				
Payables and accrued expenses		316,544	407,982	237,222
Current tax payable		25,007	111,665	68,737
Lease obligations		201	168	168
Post employment benefit obligations		47,556	39,561	47,556
		389,308	559,376	353,683
Net current assets		2,692,946	2,540,839	3,038,083
		6,794,887	6,544,197	7,132,047

The notes on pages 15 to 21 are an integral part of these consolidated and separate interim financial statements.

Consolidated statement of changes in equity

	Share capital	Other reserves	Retained earnings	Proposed dividend	Total equity
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Period ended 30 June 2023					
At start of year	98,000	32,815	5,347,636	470,400	5,948,851
Total comprehensive income for the period:					
Profit for the period	-	-	117,498	-	117,498
Other comprehensive income	-	-	-	-	-
Total	-	-	117,498	-	117,498
Transactions with owners:					
Dividends:					
- Final for 2022	-	-	-	(470,400)	(470,400)
	-	-	-	(470,400)	(470,400)
At end of period	98,000	32,815	5,465,134	-	5,595,949
Period ended 30 June 2022					
At start of year	98,000	37,991	4,972,232	431,200	5,539,423
Total comprehensive income for the period:					
Profit for the period	-	-	341,270	-	341,270
Other comprehensive income	-	-	-	-	-
Total	-	-	341,270	-	341,270
Transactions with owners:					
Dividends:					
- Final for 2021	-	-	-	(431,200)	(431,200)
	-	-	-	(431,200)	(431,200)
At end of period	98,000	37,991	5,313,502	-	5,449,493

The notes on pages 15 to 21 are an integral part of these consolidated and separate interim financial statements.

Separate statement of changes in equity

	Share capital	Other reserves	Retained earnings	Proposed dividend	Total equity
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Period ended 30 June 2023					
At start of year	98,000	32,815	5,343,495	470,400	5,944,710
Total comprehensive income for the period:					
Profit for the period	-	-	117,498	-	117,498
Other comprehensive income	-	-	-	-	-
Total	-	-	117,498	-	117,498
Transactions with owners:					
Dividends:					
- Final for 2022	-	-	-	(470,400)	(470,400)
	-	-	-	(470,400)	(470,400)
At end of period	98,000	32,815	5,460,993	-	5,591,808
Period ended 30 June 2022					
At start of year	98,000	37,991	4,968,091	431,200	5,535,282
Total comprehensive income for the period:					
Profit for the period	-	-	341,270	-	341,270
Other comprehensive income	-	-	-	-	-
Total	-	-	341,270	-	341,270
Transactions with owners:					
Dividends:					
- Final for 2021	-	-	-	(431,200)	(431,200)
	-	-	-	(431,200)	(431,200)
At end of period	98,000	37,991	5,309,361	-	5,445,352

The notes on pages 15 to 21 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 2023 Shs'000	6 months to 30 June 2022 Shs'000
Operating activities			
Cash utilized by operations	14	(544,867)	(201,196)
Interest received	5	42,437	47,766
Income tax paid		(94,739)	(34,994)
Net cash utilized by operating activities		(597,169)	(188,424)
Investing activities			
Purchase of property, plant and equipment	9	(146,192)	(217,088)
Purchase and development of biological assets	10(i)	(13,649)	(8,855)
Proceeds from disposal of property, plant and equipment		-	632
Net cash used in investing activities		(159,841)	(225,311)
Financing activities			
Dividend paid		(470,400)	(431,200)
Lease payments		-	(1)
Net cash used in financing activities		(470,400)	(431,201)
Decrease in cash and cash equivalents		(1,227,410)	(844,936)
Movement in cash and cash equivalents			
At start of year		1,408,744	1,656,219
Decrease in cash and cash equivalents		(1,227,410)	(844,936)
Effect of exchange rate differences on cash and cash equivalents	4	58,341	29,683
At end of period	11	239,675	840,966

The notes on pages 15 to 21 are an integral part of these consolidated and separate interim financial statements.

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 2022 ('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 may ultimately 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 2023. 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 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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 2023 is 30% (2022 was 30%).

2.6 Comparatives

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

- The presentation of the statement of consolidated and separate statement of profit or loss, other comprehensive income and finance costs have been changed to present other income or expenses arising from net foreign exchange gains/losses on cash and cash equivalents as part of other income on Note 4 as opposed to them being presented together with finance costs or together with interest income calculated based on effective interest rate method in accordance IAS 1.82(a) (as updated from 1 January 2018). The standard explicitly requires that entities to present a specific line called, "Interest revenue, calculated using the effective interest method" within their Revenue, implying that interest revenue calculated using the effective interest rate method (EIR) would now need to be differentiated from interest income calculated using other methods and presented separately.

3. Segmental reporting - Group

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

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

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

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

3. Segmental reporting (continued)

The segment information for the reportable segments for the six months period ended 30 June 2023 and 30 June 2022 is as follows:

	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Tea		Avocados		Macadamia		Forestry		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Sales												
Sales to external customers	165,733	124,114	309,394	184,574	170,179	470,051	178,194	184,720	49,655	63,033	873,155	1,026,492
Comprising												
Major external customers sales	165,733	124,114	256,582	117,973	149,110	445,151	-	-	-	-	571,425	687,238
All other external customers sales	-	-	52,812	66,601	21,069	24,900	178,194	184,720	49,655	63,033	301,730	339,254
	165,733	124,114	309,394	184,574	170,179	470,051	178,194	184,720	49,655	63,033	873,155	1,026,492
Geographical analysis												
UK & Continental Europe	-	-	245,204	117,973	36,782	-	-	-	-	-	281,986	117,973
Kenya	165,733	124,114	64,190	66,601	25,691	24,900	178,194	184,720	49,655	63,033	483,463	463,368
Others	-	-	-	-	107,706	445,151	-	-	-	-	107,706	445,151
	165,733	124,114	309,394	184,574	170,179	470,051	178,194	184,720	49,655	63,033	873,155	1,026,492

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3. Segmental reporting (continued)

	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Tea		Avocados		Macadamia		Forestry		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss)												
Gross profit/(loss) before depreciation and fair value changes in non-current biological assets and intersegmental purchases	32,291	8,701	824,526	397,117	(267,446)	417,616	64,554	98,715	(42,787)	(28,813)	611,138	893,336
Intersegmental purchases	-	-		-	-	-	-		-	-	-	-
Depreciation charge	(7,150)	(7,256)	(60,954)	(56,169)	(47,604)	(48,163)	(3,053)	(4,460)	(23,313)	(24,527)	(142,074)	(140,575)
Changes in fair value of non-current biological assets	-	-	-	-	-	-	-	-	21,591	22,826	21,591	22,826
Gross profit/(loss)	25,141	1,445	763,572	340,948	(315,050)	369,453	61,501	94,255	(44,509)	(30,514)	490,655	775,587
Selling and Distribution costs	-	-	(108,752)	(52,373)	(14,028)	(30,482)	-	-	(463)	-	(123,243)	(82,855)
Segment profit/(loss)	25,141	1,445	654,820	288,575	(329,078)	338,971	61,501	94,255	(44,972)	(30,514)	367,412	692,732
Other income	4,301	2,485	-	-	-	-	-	-	69,968	41,267	74,269	43,752
Interest and other income	-	-	-	-	-	-	-	-	42,437	47,766	42,437	47,766
Finance costs	-	-	-	-	-	-	-	-	(33)	(33)	(33)	(33)
Unallocated admin expenditure	-	-	-	-	-	-	-	-	(312,966)	(289,549)	(312,966)	(289,549)
Profit/(loss) before income tax	29,442	3,930	654,820	288,575	(329,078)	338,971	61,501	94,255	(245,566)	(231,063)	171,119	494,668
Income tax expense	(9,226)	(1,219)	(205,188)	(89,488)	103,117	(105,116)	(19,272)	(29,229)	76,948	71,654	(53,621)	(153,398)
Profit/(loss) for the period	20,216	2,711	449,632	199,087	(225,961)	233,855	42,229	65,026	(168,618)	(159,409)	117,498	341,270
Assets (all located in Kenya)												
Segment assets	500,248	826,359	2,746,347	2,181,528	2,044,348	1,883,900	790,052	653,563	892,811	634,646	6,973,806	6,179,996
Unallocated assets											206,094	919,282
											7,179,900	7,099,278
Liabilities												
Segment liabilities	58,385	64,168	-	-	-	-	-	-	-	-	58,385	64,168
Unallocated liabilities											1,525,566	1,585,617
											1,583,951	1,649,785
Additions												
Property, plant and equipment	98	-	78,573	117,194	41,325	56,630	10,690	500	15,506	42,764	146,192	217,088
Biological assets	805	1,864	-	-	-	-	9,871	6,602	2,973	389	13,649	8,855
	903	1,864	78,573	117,194	41,325	56,630	20,561	7,102	18,479	43,153	159,841	225,943

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	6 months to 30 June 2023	6 months to 30 June 2022
	Shs'000	Shs'000

4. Other income/(losses) – Group and company

Net foreign exchange gains other than cash and cash equivalents	2,745	1,932
Net foreign exchange gains on foreign currency cash and cash equivalent	58,341	29,683
Loss on disposal of property, plant and equipment	(12)	(2,077)
Rental income	2,552	2,372
Avocado and macadamia seedling sales	6,408	9,661
Sundry	4,235	2,181
	74,269	43,752

5. Interest income and finance income/(costs) – Group and company

Interest income		
Interest income on short term bank deposits	36,187	35,266
Interest income on infrastructure bonds	6,250	12,500
	42,437	47,766
Finance (costs)/income		
Interest on lease liabilities	(33)	(33)
Net finance costs	(33)	(33)

6. Income tax – Group and company

Income tax expense is recognised based on the annual income tax rate expected for the full financial year. The annual tax rate used for 2023 is 30% (2022: 30%).

Current income tax expense	(51,009)	(136,705)
Deferred income tax (expense)/credit	(2,612)	(16,693)
Income tax expense	(53,621)	(153,398)

7. Basic and diluted earnings per ordinary share

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 2023 and 30 June 2022.

The Company had no potentially dilutive ordinary shares outstanding at 30 June 2023 or 30 June 2022.

8. Dividend

The directors do not recommend the payment of an interim dividend (2022: Nil).

9. Capital expenditure – Group and Company

	30 June 2023	30 June 2022
	Shs'000	Shs'000
Property, plant and equipment		
Opening net book value – 1 January	3,085,814	2,992,481
Capital expenditure – additions	146,192	217,088
Disposals	(12)	(2,709)
Depreciation	(142,074)	(140,575)
Closing net book value – 30 June	3,089,920	3,066,285

10. Biological assets – Group and Company

(i) Non current biological assets

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

	Livestock	Group Plantations	Total
	Shs'000	Shs'000	Shs'000
Period ended 30 June 2023			
At 1 January 2023	164,886	692,400	857,286
Increase due to purchases and development	2,973	10,676	13,649
Gain arising from changes in fair value less costs to sell	21,591	-	21,591
Decrease due to harvest and sales	(18,146)	(13,000)	(31,146)
At 30 June 2023	171,304	690,076	861,380
Period ended 30 June 2022			
At 1 January 2022	156,684	637,000	793,684
Increase due to purchases and development	389	8,466	8,855
Gain arising from changes in fair value less costs to sell	22,826	-	22,826
Decrease due to harvest and sales	(21,534)	(13,308)	(34,842)
At 30 June 2022	158,365	632,158	790,523

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

Growing agricultural produce on bearer plants as at the reporting date

	30 June 2023	30 June 2022
	Shs'000	Shs'000
Avocado	846,744	427,636
Macadamia	223,228	148,285
Blueberries	2,624	3,747
Tea	4,299	2,421
	1,076.895	582,089

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

11. Cash and cash equivalents – Group and Company

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

	30 June 2023	30 June 2022
	Shs'000	Shs'000
Cash at bank and in hand	44,889	97,929
Short term deposits	194,786	743,037
	239,675	840,966

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

	30 June 2023	30 June 2022
	Shs'000	Shs'000
At start of the year	100,000	200,000
Redeemed in the period	-	-
At end of period	100,000	200,000
Non current portion	100,000	100,000
Current portion	-	100,000
	100,000	200,000

13. Capital commitments – Group and Company

	30 June 2023	30 June 2022
	Shs'000	Shs'000
Capital expenditure contracted for at the statement of financial position date but not recognised in the consolidated interim financial statements is as follows:-		
Property, plant and equipment	33,070	34,245
	33,070	34,245

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 2023 Shs'000	6 months to 30 June 2022 Shs'000
Profit before income tax		171,119	494,668
Adjustments for:			
Interest income	5	(42,437)	(47,766)
Net exchange gain on foreign currency cash and cash equivalents	4	(58,341)	(29,683)
Depreciation	9	142,074	140,575
Loss on sale of property, plant and equipment		12	2,077
Depreciation of right of use assets		50	50
Interest costs on adoption of IFRS 16	5	33	33
Gain arising from changes in fair value less cost to sell of non current biological assets	10(i)	(21,591)	(22,826)
Decrease in fair value of biological assets due to sales and harvest and disposal	10(i)	31,146	34,842
Fair value movement in biological assets – growing agricultural produce		(462,792)	(227,326)
Changes in working capital:			
- Increase in inventories (including fair value movement in biological assets)		(404,999)	(784,247)
- Decrease in receivables and prepayments		8,407	55,106
- Increase in payables and accrued expenses		79,322	172,105
- Increase in post employment benefit obligations		13,130	11,196
Cash utilised by operations		(544,867)	(201,196)

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