KAKUZI PLC
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD OF SIX MONTHS TO 30 JUNE 2019 (UNAUDITED)

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RESULTS

The profit before tax for the period to June 2019 was Shs 355.0 million compared to a profit of Shs 382.6 million for the same period last year.

While there was an increase in revenue from avocado sales, lower volumes of unharvested avocado crop resulted in a reduction in the fair value adjustment compared to the prior period.

Revenue from tea declined due to lower production and a weak market.

Macadamia results improved as a result of increased production and firmer prices. The results were also impacted by the write back of provisions made in prior years, amounting to Shs 103.2 million.

OVERVIEW

A very dry first quarter tested our irrigation and water resources to the limit. This has demonstrated the need for continued investment in both water security and increasing the area of our crops under irrigation.

The market price for avocados is currently firmer than this time last year due to lower volumes entering the European market from both Peru and South Africa. Kakuzi's production volumes are also lower than last year's record crop levels.

Macadamias production volumes continue to increase with the orchards maturing. Initial results from the irrigated areas show a positive impact from this investment with yields significantly higher than unirrigated areas.

Tea operations remain under pressure given the record volumes in the Kenyan market, coupled with political and currency volatility in some of our export markets. The outlook for tea this year is a concern.

Blueberry production is due to begin in the fourth quarter albeit, initially, at very small volumes.

Livestock and treated wood products sales are lower than last year but we anticipate that our pole sales will improve in the second half of the year.

OPERATIONS

Exports of our main Hass crop to Europe commenced in June. Our Pinkerton crop was exported in March with a second and final crop planned for the fourth quarter.

We continue to expand our area under avocados with this year's development well under way. The upgrade of the pack house is also making good progress with the equipment now being fabricated ready for installation during the fourth quarter.

Our macadamia processing is ongoing with similar quality results to last year. New colour sorting technology has been installed in the cracking facility as a trial. If successful, this will help improve the factory's processing capacity, in line with our strategic plan to double the throughput of the facility in 2020

The 10 ha blueberry development was completed at a cost of Ksh 190 million. Growth rates are encouraging and we expect a small crop to harvest in November. The main harvest will begin in 2020.

Forestry and livestock sales are down on last year, however production remains in line with expectation with improved pole sales anticipated in the second half.

Our arable operations are in the process of converting from maize to fodder production. Hay sales have been a successful addition to our retail operations and going forward we hope to increase these further.

The 2019 strategic capital development projects remain on target with planned investments of Ksh 550 million.

Average employee numbers during the first half of the year were 2,400 people per day. As our crop volumes and product range increase we continue to expand our management team to oversee these new developments. The management team currently comprises 63 managers the majority of whom are graduates in agronomy, engineering and finance.

Our commitment to supporting farmers in the community continues with the Company hosting 450 farmers in the first half of the year for "on farm" training sessions. Our extension services continue to be active in and around the County as well as further afield. We continue to work closely with the Murang'a County Government on both macadamia and avocado technology transfer projects.

GOVERNANCE

Kakuzi PLC remains committed to the highest levels of integrity and as a responsible corporate citizen became a signatory to the United Nations Global Compact. This requires that companies commit to and adhere to the Global Compact principles on Human Rights, Labour Rights, Environmental Compliance and Anti-Corruption.

We continue to work with the Kenyan National Commission on Human Rights conducting trainings and capacity building on various issues surrounding the guiding principles on business and human rights.

CSR & SUSTAINABILITY

Over the period the Corporate Social Responsibility team has continued engagement with the surrounding communities. Our activities have revolved around economic empowerment, environmental management, water, sanitation and education. We have specifically supported clean drinking water projects, provision of school desks, community roads upkeep and have also taken an active role during the World Menstrual Hygiene day.

Under our mentorship program we provided internship and work experience attachment opportunities to several students and graduates from the local institutions. Our team also participated in the Career Expo and mentoring program for young adults within the County.

During the first half of the year, we were audited by third party socio-environmental audit firms and successfully certified in various global standards. We also received unannounced food safety certification audits all of which were passed successfully.

Our Macadamia Department held the second annual macadamia field day which was attended by approximately one thousand community members. During the field day, the participants interacted with our management and learnt practical aspects of macadamia growing and husbandry. We plan to hold our annual avocado field day in the second half of the year.

STRATEGIC GOALS & DEVELOPMENTS

Our strategy remains on course, to increase the scale of avocado and macadamia operations, to diversify product ranges and markets and to explore new developments such as blueberry and arable opportunities in support of the National food security agenda.

The Board reviews the ten year strategic plan annually to ensure the objectives are providing the required growth, diversification and risk mitigation which the Company wishes to achieve.

LOOKING AHEAD

The sale and export of avocados, the main income stream for the Company, has begun in earnest and whilst the market prices look to be improved over last year the impact of reduced volumes in comparison to 2018 will be unknown until later in the year.

Whilst the Company is less exposed to tea the extreme decline in tea prices is of great concern. Average Mombasa tea prices have in recent months reduced to levels not seen for ten years.

DIVIDEND

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

G H MCLEAN
CHAIRMAN

14 August 2019

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

	Notes	6 Months to 30 June 2019 Shs'000	6 Months to 30 June 2018 Shs'000
Sales	3	619,463	613,118
Gains arising from changes in fair value less cost to sell of non current biological assets	10(i)	20,225	20,641
		639,688	633,759
Cost of sales		(283,108)	(266,245)
Gross profit		356,580	367,514
Other income	4	4,250	3,351
Selling and Distribution costs	3	(64,165)	(55,036)
Operating profit		296,665	315,829
Interest income	5	56,506	72,305
Finance income/(costs)	5	1,911	(5,566)
Profit before income tax		355,082	382,568
Income tax expense	6	(109,501)	(112,114)
Profit for the period		245,581	270,454
Other comprehensive income		-	-
Total comprehensive income		245,581	270,454
		Shs	**Shs**
Earnings per share:			
Basic and diluted earnings per ordinary share	7	12.53	13.80

The notes on pages 10 to 17 are an integral part of these consolidated and company interim financial statements.

Consolidated statement of financial position

	Notes	30 June 2019 Shs'000	30 June 2018 Shs'000	Audited 31 December 2018 Shs'000
EQUITY				
Share capital		98,000	98,000	98,000
Other reserves		19,653	16,607	19,653
Retained earnings		4,621,004	4,340,683	4,375,423
Proposed dividend		-	-	176.400
Total equity		4,738,657	4,455,290	4,669,476
Non-current liabilities				
Deferred income tax		901,010	806,766	813,557
Post employment benefit obligations		71,087	64,866	68,045
Lease obligations		444	-	-
		972,541	871,632	881,602
Total equity and non current liabilities		5,711,198	5,326,922	5,551,078
REPRESENTED BY				
Non current assets				
Property, plant and equipment	9	2,836,532	2,499,653	2,705,521
Biological assets	10(i)	675,224	658,335	684,202
Prepaid operating lease rentals		-	4,379	4,379
Right of use assets		4,781	-	-
Financial assets held at amortised cost	12	200,000	210,753	200,000
Non current receivables		28,944	29,293	30,023
		3,745,481	3,402,413	3,624,125
Current assets				
Biological assets – growing agricultural produce	10(ii)	308,515	411,798	188,753
Inventories		624,334	633,512	169,476
Receivables and prepayments		364,190	232,232	360,786
Current tax recoverable		67,014	-	81,582
Financial assets held at amortised cost	12	7,692	15,385	15,385
Cash and cash equivalents		1,004,188	1,297,393	1,500,935
		2,375,933	2,590,320	2,316,917
Current liabilities				
Payables and accrued expenses		382,363	602,601	362,776
Current tax payable		-	40,779	-
Post employment benefit obligations		27,853	22,431	27,188
		410,216	665,811	389,964
Net current assets		1,965,717	1,924,509	1,926,953
		5,711,198	5,326,922	5,551,078

The notes on pages 10 to 17 are an integral part of these consolidated and company interim financial statements.

Company statement of financial position

	Notes	30 June 2018 Shs'000	30 June 2018 Shs'000	31 December 2018 Shs'000
EQUITY				
Share capital		98,000	98,000	98,000
Other reserves		19,653	16,607	19,653
Retained earnings		4,616,863	4,336,542	4,371,282
Proposed dividend		-	-	176,400
Total equity		4,734,516	4,451,149	4,665,335
Non current liabilities				
Deferred income tax		901,010	806,766	813,557
Post employment benefit obligations		71,087	64,866	68,045
Lease obligations		444	-	-
		972,541	871,632	881,602
Total equity and non current liabilities		5,701,057	5,322,781	5,546,937
REPRESENTED BY				
Non current assets				
Property, plant and equipment	9	2,836,532	2,499,653	2,705,521
Biological assets	10(i)	675,224	658,335	684,202
Prepaid operating lease rentals		-	4,379	4,379
Right of use assets		4,781	-	-
Investments in subsidiaries		4,295	4,295	4,295
Financial assets held at amortised cost	12	200,000	210,753	200,000
Non current receivables		28,944	29,293	30,023
		3,749,776	3,406,708	3,628,420
Current assets				
Biological assets – growing agricultural produce	10(ii)	308,515	411,798	188,753
Inventories		624,334	633,512	169,476
Receivables and prepayments		364,190	232,232	360,786
Current tax recoverable		66,961	-	81,529
Financial assets held at amortised cost	12	7,692	15,385	15,385
Cash and cash equivalents		1,004,188	1,297,393	1,500,935
		2,375,880	2,590,320	2,316,864
Current liabilities				
Payables and accrued expenses		390,746	610,984	371,159
Current tax payable		-	40,832	-
Post employment benefit obligations		27,853	22,431	27,188
		418,599	674,247	398,347
Net current assets		1,957,281	1,916,073	1,918,517
		5,707,057	5,322,781	5,546,937

The notes on pages 10 to 17 are an integral part of these consolidated and company 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
Period ended 30 June 2019					
At start of year	98,000	19,653	4,375,423	176,400	4,669,476
Total comprehensive income for the period:					
Profit for the period	-	-	245,581	-	245,581
Other comprehensive income	-	-	-	-	-
Total	-	-	245,581	-	245,581
Transactions with owners:					
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

	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
Period ended 30 June 2018					
At start of year	98,000	16,607	4,070,229	137,200	4,322,036
Total comprehensive income for the period:					
Profit for the period	-	-	270,454	-	270,454
	-	-	270,454	-	270,454
Transactions with owners:					
Dividends:					
- Final for 2017	-	-	-	(137,200)	(137,200)
	-	-	-	(137,200)	(137,200)
At end of period	98,000	16,607	4,340,683	-	4,455,290

The notes on pages 10 to 17 are an integral part of these consolidated and company interim financial statements.

Company 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
Period ended 30 June 2019					
At start of year	98,000	19,653	4,371,282	176,400	4,665,335
Total comprehensive income for the period:					
Profit for the period	-	-	245,581	-	245,581
Other comprehensive income	-	-	-	-	-
Total	-	-	245,581	-	245,581
Transactions with owners:					
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

	Share capital Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
Period ended 30 June 2018					
At start of year	98,000	16,607	4,066,088	137,200	4,317,895
Total comprehensive income for the period:					
Profit for the period	-	-	270,454	-	270,454
Other comprehensive income	-	-	-	-	-
Total	-	-	270,454	-	270,454
Transactions with owners:					
Dividends:					
- Final for 2017	-	-	-	(137,200)	(137,200)
	-	-	-	(137,200)	(137,200)
At end of period	98,000	16,607	4,336,542	-	4,451,149

The notes on pages 10 to 17 are an integral part of these consolidated and company interim financial statements.

Consolidated and company statement of cash flows

	Notes	6 months to 30 June 2019 Shs'000	6 months to 30 June 2018 Shs'000
Operating activities			
Cash utilised by operations	14	(135,970)	(70,311)
Interest received	5	56,506	72,305
Income tax paid		(7,480)	(141,154)
Net cash used in operating activities		(86,944)	(139,160)
Investing activities			
Purchase of property, plant and equipment	9	(240,708)	(174,939)
Purchase of biological assets and development	10(i)	(7,089)	(12,433)
Proceeds from disposal of property, plant and equipment		4,790	761
Proceeds from redemption of financial assets held at amortised cost	12	7,693	117,181
Net cash used in investing activities		(235,314)	(69,430)
Financing activities			
Dividend paid		(176,400)	(137,200)
Net cash used in financing activities		(176,400)	(137,200)
Decrease in cash and cash equivalents		(498,658)	(345,790)
Movement in cash and cash equivalents			
At start of year		1,500,935	1,648,749
Decrease		(498,658)	(345,790)
Effect of exchange rate differences on cash and cash equivalents	5	1,911	(5,566)
At end of period	11	1,004,188	1,297,393

The notes on pages 10 to 17 are an integral part of these consolidated and company 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 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 lease accounting under IFRS 16 as of 1 January 2019 which is described in Note 2.3 below.

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

The Group has adopted IFRS 16 *leases* from 1 January 2019. IFRS 16 introduced a single, on balance sheet accounting model for leases, as a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease obligations representing its obligation to make lease payments. As required by IAS 34, the nature and effect of these changes are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim consolidated and company financial statements.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has applied IFRS 16 using the modified retrospective approach, under which, the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly the comparative information presented for 2018 has not been restated i.e it is presented as previously reported, under IAS 17 and related interpretations. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Notes (continued)

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

IFRS 16 Leases (continued)

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The impact on transition is summarised below:

	1 January 2019 Shs'000
Right of use assets	4,791
Prepaid operating lease rentals	(4,379)
Lease obligations	(412)
Retained earnings	-

Impacts for the period

In relation to these leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. The impact on the consolidated and company statement of profit or loss for the six months ended 30 June 2019 is presented below:

	6 months to 30 June 2019 Shs'000
Depreciation expense	10
Interest cost	32

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 2019 is 30% (2018 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 2019 and 30 June 2018 is as follows:

	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Tea		Avocados		Macadamia		Forestry		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Sales to external customers												
Sales	88,803	163,496	190,432	173,082	187,632	87,091	143,521	153,253	9,075	36,196	619,463	613,118
Comprising												
Major external customers sales	88,803	163,496	174,347	153,404	172,897	82,628	-	-	-	-	436,047	399,528
All other external customers sales	-	-	16,085	19,678	14,735	4,463	143,521	153,253	9,075	36,196	183,416	213,590
	88,803	163,496	190,432	173,082	187,632	87,091	143,521	153,253	9,075	36,196	619,463	613,118
Sales to:												
UK & Continental Europe	-	-	174,347	153,404	172,897	82,628	-	-	-	-	347,244	236,032
Kenya	88,803	163,496	16,085	19,678	14,735	4,463	143,521	153,253	9,075	36,196	272,219	377,086
	88,803	163,496	190,432	173,082	187,632	87,091	143,521	153,253	9,075	36,196	619,463	613,118

Notes (continued)

3. Segmental reporting (continued)

	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Tea		Avocados		Macadamia		Forestry		All other segments		Consolidated	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss)												
Gross profit/(loss) before depreciation and fair value changes	6,192	15,499	108,643	95,735	158,154	40,107	41,997	61,036	(26,032)	3,543	288,954	215,920
Changes in fair value of non-current biological assets	-	-	-	-	-	-	-	-	20,225	20,641	20,225	20,641
Changes in fair value of agricultural produce	125	(52)	258,411	406,154	(42,531)	(17,956)	-	-	-	(10,519)	216,005	377,627
Release of provisions relating to prior years	103,253	-	-	-	-	-	-	-	-	-	103,253	-
Unallocated administrative expenditure	-	-	-	-	-	-	-	-	(166,520)	(152,004)	(166,520)	(152,004)
Depreciation charge	(7,449)	(7,449)	(40,174)	(37,254)	(35,124)	(30,545)	(2,756)	(2,618)	(19,834)	(16,804)	(105,337)	(94,670)
Gross profit/(loss)	102,121	7,998	326,880	464,635	80,499	(8,394)	39,241	58,418	(192,161)	(155,143)	356,580	367,514
Selling and Distribution costs	-	-	(54,944)	(50,874)	(9,221)	(4,162)	-	-	-	-	(64,165)	(55,036)
Segment profit/(loss)	102,121	7,998	271,936	413,761	71,278	(12,556)	39,241	58,418	(192,161)	(155,143)	292,415	312,478
Other income	1,331	1,182	-	-	-	-	-	-	2,919	2,169	4,250	3,351
Operating profit	103,452	9,180	271,936	413,761	71,278	(12,556)	39,241	58,418	(189,242)	(152,974)	296,665	315,829
Interest income	-	-	-	-	-	-	-	-	58,417	66,739	58,417	66,739
Profit/(loss) before income tax	103,452	9,180	271,936	413,761	71,278	(12,556)	39,241	58,418	(130,825)	(86,235)	355,082	382,568
Income tax expense	(31,904)	(2,690)	(83,860)	(121,256)	(21,981)	3,680	(12,101)	(17,120)	40,345	25,272	(109,501)	(112,114)
Profit/(loss) for the period	71,548	6,490	188,076	292,505	49,297	(8,876)	27,140	41,298	(90,480)	(60,963)	245,581	270,454
Assets (all located in Kenya)												
Segment assets	669,770	713,588	1,793,850	1,812,961	1,078,801	963,385	543,976	538,743	483,140	292,335	4,569,537	4,321,012
Unallocated assets											1,551,877	1,671,721
											6,121,414	5,992,733
Liabilities												
Segment liabilities	77,530	166,152	86,278	112,298	53,295	64,592	13,251	52,140	150,354	272,934	380,708	668,116
Unallocated liabilities											1,002,049	869,327
											1,382,757	1,537,443
Additions												
Property, plant and equipment	2	237	147,642	55,519	63,889	53,455	457	-	28,718	65,728	240,708	174,939
Biological assets	494	526	-	-		-	6,595	7,857	-	4,050	7,089	12,433
	496	763	147,642	55,519	63,889	53,455	7,052	7,857	28,718	69,778	247,797	187,372

Notes (continued)

	6 months to 30 June 2019 Shs'000	6 months to 30 June 2018 Shs'000
4. Other income/(losses) – Group and company		
Net foreign exchange (losses)/gains, other than on cash and cash equivalents	(927)	239
Gain on disposal of property, plant and equipment	430	761
Rental income	2,022	1,938
Sundry	2,725	413
	4,250	3,351

5. Interest income and finance costs – Group and company

	6 months to 30 June 2019 Shs'000	6 months to 30 June 2018 Shs'000
Interest income		
Interest income on short term bank deposits	56,506	72,305
	56,506	72,305
Finance costs		
Net foreign exchange gains/(losses) on cash and cash equivalents	1,911	(5,566)

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 2019 is 30% (2018: 30%).

	6 months to 30 June 2019 Shs'000	6 months to 30 June 2018 Shs'000
Current income tax expense	22,048	49,123
Deferred income tax charge	87,453	62,991
Income tax expense	109,501	112,114

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 2019 and 30 June 2018.

The Company had no potentially dilutive ordinary shares outstanding at 30 June 2019 or 30 June 2018.

8. Dividend

The directors do not recommend the payment of an interim dividend (2018: Nil).

Notes (continued)

9. Capital expenditure – Group and Company

	30 June 2019 Shs'000	30 June 2018 Shs'000
Property, plant and equipment		
Opening net book value – 1 January	2,705,521	2,419,384
Capital expenditure – additions	240,708	174,939
Disposals	(4,360)	-
Depreciation	(105,337)	(94,670)
Closing net book value – 30 June	2,836,532	2,499,653

10. Biological assets – Group and Company

(i) Non current biological assets

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

	Livestock Shs'000	Group Plantations Shs'000	Total Shs'000
Period ended 30 June 2019			
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)
At 30 June 2019	132,926	542,298	675,224
Period ended 30 June 2018			
At 1 January 2018	126,933	536,900	663,833
Increase due to purchases and development	4,050	8,383	12,433
Gains arising from changes in fair value less costs to sell	20,641	-	20,641
Decrease due to harvest and sales	(25,538)	(13,034)	(38,572)
At 30 June 2018	126,086	532,249	658,335

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

Growing agricultural produce on bearer plants as at the reporting date

	30 June 2019 Shs'000	30 June 2018 Shs'000
Avocado	290,812	395,868
Macadamia	15,177	11,841
Pineapples	-	1,260
Tea	2,526	2,829
	308,515	411,798

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: -

	30 June 2019 Shs'000	30 June 2018 Shs'000
Cash at bank and in hand	55,562	52,230
Short term deposits	948,626	1,245,163
	1,004,188	1,297,393

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

	30 June 2019 Shs'000	30 June 2018 Shs'000
At start of the year	215,385	343,319
Redeemed in the period	(7,693)	(117,181)
At end of period	207,692	226,138
Non current portion	200,000	210,753
Current portion	7,692	15,385
	207,692	226,138

13. Capital commitments – Group and Company

	30 June 2019 Shs'000	30 June 2018 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	37,533	83,410
Biological assets	-	-

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 2019 Shs'000	6 months to 30 June 2018 Shs'000
Profit before income tax		355,082	382,568
Adjustments for:			
Interest income	5	(56,506)	(72,305)
Net exchange (gains)/losses on foreign currency cash and cash equivalents	5	(1,911)	5,566
Depreciation	9	105,337	94,670
Amortisation of prepaid operating lease rentals		-	5
Profit on sale of property, plant and equipment		(430)	(761)
Depreciation of right of use assets		10	-
Interest costs on adoption of IFRS 16		32	-
Gains arising from changes in fair value less cost to sell of non current biological assets	10(i)	(20,225)	(20,641)
Decrease in fair value of biological assets due to sales and harvest and disposal	10(i)	36,292	38,572
Fair value movement in biological assets – growing agricultural produce		(119,762)	(216,047)
Changes in working capital:			
- Increase in inventories (including fair value movement in biological assets)		(454,858)	(487,188)
- Increase/(decrease) in receivables and prepayments		(2,325)	62,857
- Increase in payables and accrued expenses		19,587	140,262
- Increase in post employment benefit obligations		3,707	2,131
Cash utilised by operations		(135,970)	(70,311)

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