

KENYA ORCHARDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2023

Kenya Orchards Limited
Annual report and financial statements
For the year ended 31st December 2023

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Kenya Orchards Limited
Company information
For the year ended 31st December 2023

Board of directors

Thakarshi K. Patel
Vipul T. Patel
Hardik Mahesh Shah

Chairman
Managing Director
Director

Company secretary

Sage Registrars,
P.O. Box 52234 - 00200,
Nairobi,
Kenya.

Registered office

L.R. No. 1870/11/321,
Adabu House, General Mathenge Drive,
Westlands,
P.O. Box 52234-00200,
Nairobi,
Kenya.

Independent auditor

Jessie & Associates,
Certified Public Accountants,
Adabu House,
General Mathenge Drive,
P.O. Box 43682 - 00100,
Nairobi,
Kenya.

Principal banker

Guardian Bank Limited,
Timbermill Road
P.O. Box 7076-20100,
Nakuru
Kenya.

Corporate Governance Statement

Kenya Orchards Limited (KOL) and its Board of Directors are committed to achieving the highest standards of corporate governance and acknowledge that this is essential to creating and building sustainable value for shareholders. The main corporate governance practices in respect to 2022 are detailed in this statement. The Board of Directors and entire management have committed themselves to act honestly, ethically, diligently and in accordance with the law in serving the interests of KOL's shareholders, employees, customers and the communities in which KOL operates. KOL will endeavour and continue to uphold good corporate governance practices. The Company will endeavour to comply with Nairobi Securities Exchange (NSE) Listing requirements and the Guidelines on corporate Governance practices by Public listed companies in Kenya issued by the Capital Market Authority (CMA).

Role and Responsibilities of the Board of Directors

The Board operates in accordance with the broad principles set out in its Charter. The implementation of corporate strategy and day to day management of KOL's affairs are delegated to management, however the Board retains specific responsibility for:

- reviewing and approving systems of risk management, internal control and compliance, codes of conduct, continuous disclosure and legal compliance;
- reviewing and approving major capital expenditure, capital management, acquisitions and divestitures;
- any matters which exceed the authority limits delegated to the Managing Director;
- reviewing and approving business plans and budgets, including the setting of performance objectives;
- monitoring the company's operational and financial position and performance;
- approving the company's financial and accounting policies and financial statements;
- monitoring compliance with control and accountability systems, regulatory requirements and ethical standards;
- approving the financial and other reporting mechanisms for adequate, accurate and timely information being provided to the Board;
- approving processes, procedures and systems to ensure that financial results are appropriately and accurately reported on a timely basis;
- reviewing executive succession planning and development;
- approving the acquisition, establishment, disposal or cessation of any significant business of the company;
- approving the issue of any securities in the company;
- approving any public statements which reflect significant issues of company policy or strategy;
- approving changes to the discretions delegated from the Board; and
- deciding on any matters which exceed the authority limits delegated to the Managing Director.

Board Composition

Directors are elected by the Shareholders based on the skills and experience they are able to bring to Board deliberations on current and emerging issues. In addition, the Board seeks to ensure that the size of the Board as well as the blend of skills within its membership, is conducive to effect discussion and efficient decision making. In accordance with the company's Memorandum and Articles of Association, one third of the Directors are required to retire from office annually. The Directors have developed and adopted a policy on the appointment, tenure and retirement of Directors.

Director Independence

The Board recognises the importance of independent judgement in the decision making process. The Board's Charter expressly states that it shall not be necessary for a director to hold any share in the company. Applying the above criteria, the Board considers that all non-executive directors are independent.

Managing Director

The Managing Director is KOL's most senior employee. The Managing Director recommends policy, strategic direction and business plans for Board approval and is responsible for managing the company's day-to-day activities. The Managing Director is appointed by the Board and is subject to an annual performance review by the Board.

Corporate Governance Statement (continued)

Director Orientation

Directors undergo an induction process upon appointment during which they are given a full briefing on the company. This includes meetings with key executives, tours of operational sites and presentations. Thereafter, in order to assist Directors to maintain an appropriate level of knowledge of the company and its operations, Directors undertake site visits and are provided with regular updates and briefings on current and emerging issues.

Board Meetings

The Board convenes on average of four formal meetings per year, including one meeting dedicated primarily to strategic planning. The agenda, frequency and length of meetings are determined by the Chairman in consultation with the Managing Director. The Chairman manages the conduct of meetings and strives to ensure open and constructive discussion between Board members and between the Board and management. Ad hoc Board and committee meetings may be convened to consider particular matters.

In addition, the various Board Committees meet at least three times each year to discuss various issues on the position of the company and the performance of management.

Company Secretary

Sage Registrars is KOL's Company Secretary. This position is responsible for:

- advising the Board on corporate governance principles;
- management of the company secretarial function;
- attending all Board and Board committee meetings and taking minutes; and
- communication with the Capital Markets Authority and the Nairobi Stock Exchange.

Committees of the Board

To assist in the execution of its responsibilities and to allow detailed consideration of complex issues, the Board will establish the following sub-committees:

- Human Resources and Strategy committee.
- Audit Committee.

Each committee will be comprised wholly of independent, non-executive Directors. The structure and membership of these committees will be reviewed periodically. Each committee will have its own policy setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. Unless expressly delegated by the Board to one of its committees, all matters determined by committees are to be submitted to the full Board as recommendations for Board decision.

The Human Resources and Strategy Committee

The Human Resources and Strategy Committee's responsibility is to provide assistance and recommendations to the Board to assist it in fulfilling its corporate governance responsibilities relating to:

- overall development and direction of the company's strategy and policies;
- overall remuneration strategy of the company, its development, review and implementation;
- remuneration of executives and non-executive Directors;
- evaluation of the performance of the Managing Director and senior executives;
- succession planning for key roles; and
- assessment, composition and succession of the Board. The Committee has the resources and authority appropriate to discharge its duties and responsibilities, including the authority to engage external professionals on terms it determines appropriate.

The Audit Committee

The Committee is to be guided by a charter which requires that all members of the Committee be financially literate and have an appropriate understanding of the industries in which the company operates. The overall purpose of the Audit Committee will be to protect the interests of the company's shareholders and other stakeholders by overseeing processes in respect of:

- integrity of financial reporting;
- adequacy of the control environment;
- process for the management of risk; and
- internal and external audit functions.

Corporate Governance Statement (continued)

Risk Assessment and Management

The Board, with assistance from the Audit Committee, will be responsible for ensuring there are adequate processes and policies in place to identify, assess and mitigate risk. KOL will implement a formal Enterprise Risk Management program which will establish structured risk management processes, as well as ensuring that risk management concepts and awareness are embedded into the culture of the organisation. This program includes the involvement of senior executives, as well as the engagement of external risk management consultants as necessary.

The key elements of KOL's risk management program are:

- classification of risks into strategic, financial, operational, compliance, information and project risks;
- the quantification and ranking of risk events consequences;
- the process to capture and document high level risks;
- a comprehensive management representation program which involves a detailed hierarchy of signoffs on a wide range of risk issues;
- the assignment of clear accountabilities for identified risk issues to appropriate senior employees;
- comprehensive regular reporting to the Board and senior management on key areas of safety, environment, treasury and exchange, legal matters and major projects;
- policies and procedures to address key internal controls;
- the development of a company wide intranet based risk management database for communicating and updating progress on risk matters;
- a comprehensive insurance program.

Audit Function

The company's current external auditors are Jessie & Associates .

Securities Trading Policy

If Directors, officers and employees of the company intend to buy or sell the company's securities (shares, options, warrants etc), they must do so in accordance with the company's Securities Trading Policy. Under the Securities Trading Policy, Directors and employees are prohibited from trading in the company's securities if they are in possession of price sensitive information which is not generally available to the market. In addition to this general prohibition, all employees and Directors are prohibited from buying or selling securities in the company during the period from the end of the financial year or half financial year to the time of the release of the annual or half year results. In addition, the employees must declare to the Company Secretary that they hold interest in the securities of the company.

Continuous Disclosure

In accordance with the Company's Articles of Association, the shareholders of the company elect Directors during the annual general meeting. During this meeting shareholders have the opportunity to express their views, ask questions about company business and vote on other items of business for resolution by shareholders at the Annual General Meeting.

The Company Secretary is responsible for communication with the Nairobi Stock Exchange and the Capital Markets Authority (CMA). This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the CMA.

Conflict of Interest

The Directors are required to disclose their areas of conflict of interest at least once a year. In terms of the established practice, they are also required to refrain from contributing to and abstain from voting on matters on which they have such conflict. On an on going basis, the Directors are required to notify the Company Secretary in advance of any potential conflicts of interest through other Directorships or Shareholdings or Associations or conflicts arising from specific transactions.

Kenya Orchards Limited
Corporate governance
For the year ended 31st December 2023

1 The following directors have interest in the company;

Name	No. of Ordinary Shares	% in Shares	Issued and fully paid up capital
Thakarshi Keshav Patel	4,324,324	33.60%	21,621,620
Vipul Thakarshi Patel	1,915,579	14.89%	9,577,895
	<u>6,239,903</u>	<u>48.49%</u>	<u>31,199,515</u>

The following directors have interest in the related companies;

Njoro Canning Factory (K) Ltd

	No. of Ordinary Shares	% in Shares	Issued and fully paid up capital
Thakarshi Keshav Patel	141,000	47%	14,100,000
Vipul Thakarshi Patel	66,000	22%	6,600,000
	<u>207,000</u>	<u>69%</u>	<u>20,700,000</u>

Njoro Vegetables Ltd

Thakarshi Keshav Patel	<u>500</u>	<u>50%</u>	<u>500,000</u>
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2 The Company has no subsidiaries and the only material contract involving director's interest in Kenya Orchards Limited and related parties is that Njoro Canning Factory (K) Limited and shareholders have loaned the company Shs. 16,000,000 and Shs. 40,271,926 respectively as stated in note 8 page 23 of the Financial Statement.

3 Distribution of Shareholders is as follows:

Shareholding (No. of shares)	No. of Shareholders	No of Shares held	% Shareholding
500 and Less	91	31,431	0.24
501 - 5,000	35	17,202	0.13
5,001 - 10,000	7	66,436	0.52
10,001 - 100,000	2	37,880	0.29
100,001 - 1,000,000	1	212,191	1.65
Above 1,000,000	4	12,479,806	97.16
	<u>140</u>	<u>12,844,946</u>	<u>100.00</u>

4 Name of the ten largest shareholders and the number of shares in which they have an interest.

Name	No. of Shares held	% Shareholding
1. Thakarshi Keshav Patel	4,324,324	34.28 %
2. Westpac Holding Limited	4,091,348	31.85 %
3. Vipul Thakarshi Patel	1,915,597	14.89 %
4. Sadoline Paints (E.A) Limited	1,828,460	14.21 %
5. Dineshchandra lalji shah	212,188	1.65 %
6. Kurban Bhaloo	18,940	0.15 %
7. Mrs. Malek Bhaloo	18,940	0.15 %
8. Azim Jamal Virjee	9,507	0.07 %
9. Rafiq Shariff, Salim Alibhai & Shehnaz Alibahi	9,470	0.07%
10. Mrs Savitaben Velji Raichand	8,703	0.07 %

Corporate Social Responsibility

The Company recognizes that it has a corporate social and environmental responsibility and has a documented policy approved by the Board in support of this.

Protecting a Fragile Environment

The Company developments and operations are guided by an eco-policy that is aimed at conserving the environment. Some of the major programmes that we will continue to support include, planting trees and waste paper recycling.

Employment Welfare and Ethical Standards

The Company conducts business in compliance with high ethical standards of business practice, the Company has a Code of conduct which outlines the principals and policies that govern the activities of the Company and to which the employees must adhere. All employees and Directors have committed to follow the Company Code of Conduct.

Upon employment, new members of staff must sign the Code of Conduct acknowledging that they have read and are committed to abide by the Code of Conduct.

Communication

The Company encourages dialogue and participation from all employees through internal e-mail and team building initiatives. Further, the Company encourages staff to hold meetings where all staff members meet for discussion on the Company progress and strategic direction. All the action points recommended by staff and approved by the Company Executive Committee were implemented to enhance the working environment that aims to inspire employees to give their best. The action points addressed staff concerns in the areas of talent management, career management, work life balance, communication and leadership. Feedback has been provided to staff on the changes made during this period.

Staff Training & Development

The Company attaches great importance to staff training and development as a means of ensuring that the organization is fully and appropriately staffed with employees who have requisite competencies to perform their jobs and that all staff feel valued and supported.

The training programme is designed to attain the highest standards in education and is continuously benchmarked with other leading players. The Company policy is to provide training that strikes the appropriate balance between short and long term resource requirements with regard to the size and complexity of its operations and the need to offer the highest quality of service.

The training process begins with an induction phase which also comprises of mandatory courses on the Company, services and strategy. Thereafter, on-the-job-training is the foundation upon which all other types of training must depend. This process is fully supplemented by a mentoring program and we acknowledge the role that our experienced members of staff play in training their colleagues. In addition, tailor-made courses/ workshops are arranged to meet specific skills and knowledge requirements.

With the current employee skill-base, the Company is able to effectively compete both locally and internationally.

Kenya Orchards Limited
Report of the directors
For the year ended 31st December 2023

The directors submit their report together with the audited financial statements for the year ended 31st December 2023 which disclose the state of affairs of the company.

Directorate

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

Principal activities

The principal activity of the Company is that of selling processed fruits, vegetables and other food products.

Results and dividends

The results of the company for the year are shown in the profit and loss account on page 11 and the appropriations there from in the statement of changes in equity on page 13. The directors recommend the payment of a dividend of Shs.55,000 to preference shareholders (2022: 55,000). The directors do not recommend the declaration of a dividend to ordinary shareholders.

Statement as to disclosure to the company's auditor

With respect to each director at the time of this report was approved:

- (a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
- (b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Terms of appointment of the auditor

The company auditors Jessie & Associates continues in office in accordance with the company's Article of Association and Section 719 of the Companies Act, 2015. The director monitors the effectiveness, objectivity and independence of the auditor. The director also approves the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the board


SAGE REGISTRARS

.....
Company Secretary


Nairobi 2024

Kenya Orchards Limited
Statement of directors' responsibilities
For the year ended 31st December 2023

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the director to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

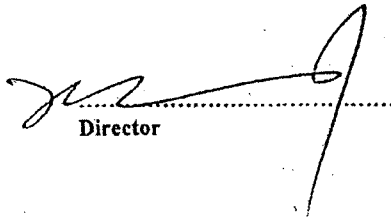
The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

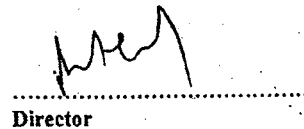
- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the director is not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 27th MARCH 2024 and signed on its behalf by:


.....
Director


.....
Director

Kenya Orchards Limited

Report of the independent auditor to the members of Kenya Orchards Limited

For the year ended 31st December 2023

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kenya Orchards Limited set out on pages 11 to 27 which comprise the balance sheet as at 31st December 2023, the profit and loss account, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Kenya Orchards Limited as at 31st December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities and the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the *Institute of Certified Public Accountants Kenya Code of Ethics (ICPAK Code of Ethics)* which is consistent with the *International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, together with other ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements. The IESBA Code is consistent with the International Ethics Standard Board for Accountant's Board of Ethics for Professional Accountants (part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Other Information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that if there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director's either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity and business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit. We remain solely responsible for our audit opinion.

We are required to communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA

Jitenka C. Patel - P/No 043.

Jessie & Associates
Certified Public Accountants
P.O. Box 43682, 00100
Nairobi

Pin No: A000151882 G

27/1/2024

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Kenya Orchards Limited
Financial statements
For the year ended 31st December 2023

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2023

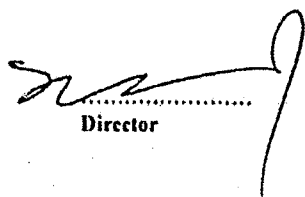
		2023	2022
		Shs	Shs
	Note		
Revenue		70,546,688	51,503,465
Cost of sales		<u>(59,327,716)</u>	<u>(43,003,770)</u>
Gross profit		11,218,972	8,499,695
Loss on valuation of shares		(854)	(854)
Administrative expenses		(6,636,492)	(3,716,451)
Selling and distribution expenses		(1,384,174)	(1,146,096)
Establishment expenses		(64,085)	(73,462)
Finance costs	5	<u>(559,612)</u>	<u>(417,167)</u>
Profit before tax	4	2,573,755	3,145,665
Income tax	6	<u>(806,284)</u>	<u>(1,221,424)</u>
Profit and total comprehensive profit for the year		<u><u>1,767,471</u></u>	<u><u>1,924,241</u></u>
Earnings per share information			
Basic earnings per share	17	<u><u>0.13</u></u>	<u><u>0.15</u></u>

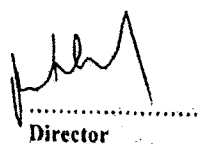
Kenya Orchards Limited
Financial statements
For the year ended 31st December 2023

BALANCE SHEET AT 31ST DECEMBER 2023

	Note	2023 Shs	2022 Shs
CAPITAL EMPLOYED			
Share capital	7	57,228,746	57,228,746
Revaluation reserve		148,449	157,508
Accumulated losses		(30,189,745)	(31,911,275)
Proposed dividends		55,000	55,000
Shareholders funds		27,242,450	25,529,979
Non Current Liabilities			
Borrowings	8	56,271,926	56,271,926
		56,271,926	56,271,926
		83,514,376	81,801,905
Non current assets			
Property, plant and equipment	10	18,304,557	21,259,833
Investment	15	5,123	5,977
Deferred tax assets	9	6,023,010	6,829,294
		24,332,690	28,095,104
Current assets			
Current tax		392,000	392,000
Inventories	12	52,592,705	41,718,914
Trade and other receivables	11	63,192,740	77,084,066
		116,177,445	119,194,980
Current Liabilities			
Borrowings	8	2,228,258	2,406,783
Trade and other payables	13	54,767,501	63,081,396
		56,995,759	65,488,179
Net Current Assets		59,181,686	53,706,801
		83,514,376	81,801,905

The financial statements on pages 11 to 27 were approved for issue by the board of directors on 27 MARCH 2024 and were signed on their behalf by:


Director


Director

Kenya Orchards Limited
Annual report and financial statements
For the year ended 31st December 2023

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023

	Share capital Shs	Revaluation reserve	Accumulated earnings Shs	Proposed dividend	Total Shs
Balance as at 1st January, 2022	57,228,746	179,079	(33,802,087)	110,000	23,715,738
Net profit	-	-	1,924,241	-	1,924,241
Total Comprehensive Income	57,228,746	179,079	(31,877,846)	110,000	25,639,979
Transactions with owners					
Preference Dividends Final 2022-Proposed	-	-	(55,000)	55,000	-
Preference Dividends Final 2021-Paid	-	-	-	(110,000)	(110,000)
Transfer of Excess Depreciation	-	(21,571)	21,571	-	-
Balance as at 31st December, 2022	57,228,746	157,508	(31,911,275)	55,000	25,529,979
Balance as at 1st January, 2023	57,228,746	157,508	(31,911,275)	55,000	25,529,979
Net profit	-	-	1,767,471	-	1,767,471
Total Comprehensive Income	57,228,746	157,508	(30,143,804)	55,000	27,297,450
Transactions with owners					
Preference Dividends Final 2023-Proposed	-	-	(55,000)	55,000	-
Preference Dividends Final 2022-Paid	-	-	-	(55,000)	(55,000)
Transfer of Excess Depreciation	-	(9,059)	9,059	-	-
Balance as at 31st December, 2023	57,228,746	148,449	(30,189,745)	55,000	27,242,450

Revaluation reserve arises from the revaluation of plant and equipment. This reserve is not distributable.

Kenya Orchards Limited
Annual report and financial statements
For the year ended 31st December 2023

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023

	Note	2023 Shs	2022 Shs
Cash flows from operating activities			
Profit for the year		2,573,755	3,145,665
Adjustments for:			
Depreciation of property, plant and equipment	10	2,955,276	1,327,812
Loss on valuation of shares		854	854
		<u>5,529,885</u>	<u>4,474,331</u>
Changes in operating assets and liabilities			
Increase in inventories		(10,873,791)	(12,327,739)
Decrease/(increase) in trade and other receivables		13,891,326	(9,144,377)
(Decrease)/increase in trade and other payables		<u>(8,313,895)</u>	<u>20,035,728</u>
<i>Cash generated from Operations</i>		233,525	3,037,943
Income tax paid		<u>-</u>	<u>-</u>
<i>Net cash from Operating activities</i>		<u>233,525</u>	<u>3,037,943</u>
Cash flows from investing activities			
Purchases of equipment		<u>-</u>	<u>(1,418,500)</u>
<i>Net cash used in investing activities</i>		<u>-</u>	<u>(1,418,500)</u>
Cash flows from financing activities			
Dividends paid		<u>(55,000)</u>	<u>(110,000)</u>
<i>Net cash used in financing activities</i>		<u>(55,000)</u>	<u>(110,000)</u>
Net increase in cash and cash equivalents		178,525	1,509,443
At the start of the year	14	<u>(2,406,783)</u>	<u>(3,916,226)</u>
Cash and cash equivalent at the end of the year	14	<u><u>(2,228,258)</u></u>	<u><u>(2,406,783)</u></u>

NOTES

1 Summary of significant accounting policies

(a) General Information

Reporting entity

Kenya Orchards Limited is incorporated in Kenya under the Kenyan Companies Act as a public company limited by shares, and is domiciled in Kenya. The address of its registered office is stated on page 1 of these accounts. Its principal activity is that of selling of processed fruits, vegetables and other food products.

Going Concern

The Company's directors have made an assessment of the Kenya Orchards Limited's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

(b) Statement of compliance

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention.

(c) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, which is also the functional currency, rounded to the nearest one shilling (Sh).

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the company. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

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

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

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

NOTES

1 Summary of significant accounting policies

(d) Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

The company has not applied any new and revised standards and interpretations that have been published but are not yet effective for the current year. The Directors do not plan to apply them if relevant until they become effective.

New standards and amendments to published standards effective for the year ended 31 December 2023

IFRS 7 Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7: Effective for annual periods beginning on or after 1 January 2024.

Applies to supplier finance arrangements in which one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers. The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

IAS 21 Lack of exchangeability – Effective for annual periods beginning on or after 1 January 2025.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2: Effective for annual periods beginning on or after 1 January 2023.

In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and their nature. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have also been added. Although standardised information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed.

IAS 8 Definition of Accounting Estimates-Amendments to IAS 8.

On February 12, 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023.

IFRS 16 Lease liability in a Sale and Leaseback-Amendments to IFRS 16: Effective for annual periods beginning on or after 1st January 2024

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

IFRS 17 Insurance Contract: Effective for annual periods beginning on or after 1st January 2023.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. It also outlines a general model which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model also uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

IAS 1 Classification of Liabilities as Current or Non-Current: Effective for annual periods beginning on or after 1st January 2024

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on: (i) Rights that are in existence at the end of the reporting period, (ii) Specify that, classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, (iii) Explain that, rights are in existence if covenants are complied with at the end of the reporting period, and (iv) Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

NOTES (CONTINUED)

IAS 12 : Deferred Tax related to Assets and liabilities arising from a single transaction-Amendments to IAS 12: Effective for annual periods beginning on or after 1st January 2023

Early adoption of standards

The company did not early-adopt new or amended standards in 2023

(e) Revenue recognition.

The Company recognises revenue for direct sales of goods and rendering of services. Revenue is recognised as and when the Company satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognised is the amount the Company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

The revenue recognition principles in IFRS 15 are applied using the following five-step model:

- i. Identify the contract(s) with a customer;
- ii. Identify the performance obligations in the contract;
- iii. Determine the transaction price;
- iv. Allocate the transaction price to the performance obligations in the contract;
- v. Recognise revenue when (or as) the entity satisfies a performance obligation;

The Company recognises revenue at a point in time or over time depending on the nature of goods and services and mode of fulfilling performance obligations.

Revenue from direct Sales of goods is recognised when control of the product is transferred to the customer, being at the point when goods are either delivered to and accepted by the customer or collected directly by the customer from the retail outlet. Payment is due immediately at the point the customer takes control of the goods.

(f) Property, plant and equipment.

All property, plant and equipment are initially recorded at cost and are stated at historical cost less depreciation. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the reducing balance method. The following annual rates are used for the depreciation of property, plant and equipment:

	<u>Rate %</u>
Plant and equipment	12.5%
Motor vehicles	25%
Furniture, fittings and equipr	12.5%
Computers	30%

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads based on normal operating capacity, but exclude borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Trade and other receivables

Trade and other receivables are initially recognised at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss. Subsequent recoveries of amounts previously written off are credited to income in the year of their recovery.

NOTES (CONTINUED)

(i) Trade payables.

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

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

(k) Provision for liabilities and charges

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(l) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

(m) Income tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES (CONTINUED)

(n) Financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the Company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Company commits itself to the purchase or sale.

Classification

The company classifies its financial instruments into the following categories:

- i) **Financial assets at amortised cost.** Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost. The assets in this category include demand and term deposits with banking institutions, trade and other receivables, and investments in government securities.
- ii) **Financial assets at fair value through other comprehensive income.** Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.
The assets in this category include Long term investments in non-quoted shares that are classified by irrevocable election on initial recognition as at fair value through other comprehensive income.
- iii) **Financial assets at fair value through profit or loss.** All other financial assets are classified and measured at fair value through profit or loss. Other investments in shares are classified as at fair value through profit or loss.

Notwithstanding the above, the Company may:

- a) on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income.
- b) on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- iv) **Financial liabilities at fair value through profit or loss.** Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- v) **Financial liabilities at amortised cost.** All other financial liabilities are classified and measured at amortised cost. Borrowings and trade and other liabilities are classified as at amortised cost.

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the Company has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expire.

NOTES (CONTINUED)

(n) Financial instruments (continued)

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

(o) Share capital and share premium

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

(p) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting.

(q) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(r) Impairment of assets.

The Company recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment loss is restricted to the assets carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(s) Related Parties.

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Enterprises or individuals that, directly or indirectly through one or more intermediaries control, or are under control by, or are under common control with, the Company, including holding entities, subsidiaries and fellow subsidiaries are related parties of the Company. Key Management Personnel are also regarded as related parties. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including all Executive and Non-Executive Directors. Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

NOTES (CONTINUED)

(t) Retirement benefits.

The company contributes to a statutory defined pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and currently limited to KShs.200 per employee per month. The company's obligations to retirement benefit schemes are charged to the income statement in the year to which they relate.

(u) Contingent Liabilities.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(v) Commitments.

Items are classified as commitments where the Company has committed itself to future transactions. Commitments are not recognised in the statement of financial position of the Company but disclosed in the notes.

(w) Comparatives

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

2 Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

a) Significant judgements made in applying the company's accounting policies

The judgements made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- i) Whether it is probable that future taxable profits will be available against which temporary differences can be utilised; and
- ii) Whether the company has the ability to hold 'held-to maturity' investments until they mature. If the company were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) Impairment losses

Estimates are made in determining the impairment losses on tangible and intangible assets. Such estimates include the determination of the net realisable value or the recoverable amount of the asset.

ii) Useful lives of Property, Plant and Equipment

Critical estimates are made by the directors, in determining depreciation rates of Property, plant and Equipment. The company reviews the estimated useful lives of the assets at the end of each financial reporting year.

iii) Provisions and Contingent liabilities

The company reviews its obligations at each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities.

NOTES (CONTINUED)

3 Risk management objectives and policies

(a) Financial risk management

The company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The company's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the company's performance by setting acceptable levels of risk. The company does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The maximum exposure of the company to credit risk as at the balance sheet date is as follows:

	Fully performing Shs	Past due but not impaired Shs	Total Shs
31st December 2023			
Financial assets			
Trade receivables	16,046,091	37,368,800	53,414,891
Other receivables	-	9,777,849	9,777,849
Gross financial assets	<u>16,046,091</u>	<u>47,146,649</u>	<u>63,192,740</u>
	Fully performing	Past due but not impaired	Total
31st December 2022			
Financial assets			
Trade receivables	28,952,925	30,462,686	59,415,611
Other receivables	-	17,668,455	17,668,455
Gross financial assets	<u>28,952,925</u>	<u>48,131,141</u>	<u>77,084,066</u>

The ageing analysis of past due but not impaired receivables is:

	2023 Shs	2022 Shs
Over 12 months	<u>47,146,649</u>	<u>48,131,141</u>
	<u>47,146,649</u>	<u>48,131,141</u>

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NOTES (CONTINUED)

3 Risk management objectives and policies

(b) Financial risk management

i) Credit risk

The Customers under the fully performing category are paying their debts as they continue trading. The default rate is high. No provision for impairment loss on trade receivables has been made during the year.

ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one month Shs	Between 1-3 months Shs	Over 3 months Shs	Totals Shs
Year ended 31st December 2023				
Trade and other payables	<u>1,167,650</u>	<u>1,650,616</u>	<u>51,949,235</u>	<u>54,767,501</u>
Year ended 31st December 2022				
Trade and other payables	<u>3,326,408</u>	<u>3,710,849</u>	<u>56,044,139</u>	<u>63,081,396</u>

iii) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk. The company's exposure to the above market risks is insignificant.

(c) Capital management

The company's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders. The company is not subject to any external capital requirements

The gearing ratio at the year-end was as follows:

	2023 Shs	2022 Shs
Total borrowings (Note 8)	58,500,184	58,678,709
Less: cash and cash equivalents	<u>-</u>	<u>-</u>
Net debt	58,500,184	58,678,709
Total equity	<u>27,242,450</u>	<u>25,529,979</u>
	<u>85,742,634</u>	<u>87,405,741</u>
Gearing	<u>32%</u>	<u>29%</u>

As described in Note. 8 to the financial statements, the above borrowings were mainly granted by related parties and therefore pose no major risk on the company's solvency.

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	2023 Shs	2022 Shs
4 Profit before tax		
The following items have been charged in arriving at the profit before tax		
Depreciation on property, plant and equipment (Note 10)	2,955,276	1,327,812
Auditors Remuneration	210,000	210,000
	<u>2,955,276</u>	<u>1,327,812</u>
5 Finance cost		
Bank Interest	559,612	417,167
	<u>559,612</u>	<u>417,167</u>
6 Income tax expense		
Current tax	-	-
Deferred Tax - (Note 9)	806,284	1,221,424
	<u>806,284</u>	<u>1,221,424</u>
7 Share capital		
Authorised;		
13,800,000 (2022:13,800,000) Ordinary shares of Shs.5 each	69,000,000	69,000,000
50,000 5.5% Preference shares of Shs.20 each	1,000,000	1,000,000
	<u>70,000,000</u>	<u>70,000,000</u>
Issued and Fully Paid;		
12,868,124 (2022: 12,868,124) ordinary shares of Shs.5 each	64,340,620	64,340,620
6,239,903 ordinary shares issued at discounted rate of Shs.1.30	(8,111,874)	(8,111,874)
50,000 5.5% Preference shares of Shs.20 each	1,000,000	1,000,000
	<u>57,228,746</u>	<u>57,228,746</u>
8 Borrowings		
Non-Current		
Shareholders loans	40,271,926	40,271,926
Related Party Loan-Njoro Canning (K) Ltd	16,000,000	16,000,000
	<u>56,271,926</u>	<u>56,271,926</u>
Current		
Guardian Bank Ltd - Overdraft	2,228,258	2,406,783
	<u>2,228,258</u>	<u>2,406,783</u>

The borrowings are secured as follows:

The bank overdraft from Guardian Bank Limited are secured by personal guarantee of Mr. T.K Patel for Shs. 3 Million and Corporate guarantee by Njoro Canning Factory (K) Limited for Shs. 3 Million supported by Board resolutions by both borrower and guarantor.

The above unsecured Shareholders' and Related party loans were offered interest free and there were no specific dates of repayments.

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9 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2022-30%). The movement on the deferred income tax account is as follows:

	2023	2022
	Shs	Shs
At start of the year	(6,829,294)	(8,050,718)
Income Statement charge (Note 6)	<u>806,284</u>	<u>1,221,424</u>
At end of the year	<u><u>(6,023,010)</u></u>	<u><u>(6,829,294)</u></u>

Deferred tax liabilities/(assets) and deferred tax charge/(credit) in the profit and loss account are attributable to the following items:

	1.1.2023	Charged/ (Credited) to	31.12.2023
	Shs	Income Statement	Shs
		Shs	
Deferred income tax liabilities			
Excess capital allowance over Depreciation	5,876,234	(636,580)	5,239,654
Assets Revaluations	24,184	18,537	42,721
	4,990,247	(618,043)	4,372,204
Deferred income tax assets			
Tax Loss carry forwards	(11,819,541)	1,424,327	(10,395,214)
Net deferred income tax assets	<u>(6,829,294)</u>	<u>806,284</u>	<u>(6,023,010)</u>

In addition, deferred tax of Shs 3,020 (year 2022 - Kshs 7,190) was transferred within Shareholders equity from revaluation reserves to retained earnings. This represents deferred tax on the difference between the actual depreciation on the property, plant and equipment and the equivalent depreciation based on the historical cost.

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NOTES (CONTINUED)

10 Property, plant and equipment (Continued)

	Plant & equipment	Motor vehicles	Furniture fittings and equipment	Computers	Total
Year 2023	Shs	Shs	Shs	Shs	Shs
Cost					
1st January 2023	41,304,320	9,733,963	5,220,990	233,800	56,493,073
Additions	-	-	-	-	-
31st December 2023	<u>41,304,320</u>	<u>9,733,963</u>	<u>5,220,990</u>	<u>233,800</u>	<u>56,493,073</u>
This Comprises					
At cost	31,000,135	9,733,963	5,220,990	233,800	46,188,888
Valuation - 1994	7,200,000	-	-	-	7,200,000
Valuation - 2002	<u>3,104,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,104,185</u>
	<u>41,304,320</u>	<u>9,733,963</u>	<u>5,220,990</u>	<u>233,800</u>	<u>56,493,073</u>
Depreciation					
1st January 2023	22,932,265	7,355,226	4,714,545	231,204	35,233,240
Charge for the year	<u>2,296,507</u>	<u>594,684</u>	<u>63,306</u>	<u>779</u>	<u>2,955,276</u>
31st December 2023	<u>25,228,772</u>	<u>7,949,910</u>	<u>4,777,851</u>	<u>231,983</u>	<u>38,188,516</u>
Net book value					
31st December 2023	<u>16,075,548</u>	<u>1,784,053</u>	<u>443,139</u>	<u>1,817</u>	<u>18,304,557</u>
31st December 2022	<u>18,372,055</u>	<u>2,378,737</u>	<u>506,445</u>	<u>2,596</u>	<u>21,259,833</u>
				2023 Shs	2022 Shs
11 Trade and other receivables					
Trade debtors				53,414,891	59,415,611
Other debtors				<u>9,777,849</u>	<u>17,668,455</u>
				<u>63,192,740</u>	<u>77,084,066</u>
12 Inventories					
Goods for sale				<u>52,592,705</u>	<u>41,718,914</u>

NOTES (CONTINUED)

	2023	2022
	Shs	Shs
13 Trade and other payables		
Accrued expenses	2,818,266	893,442
Amount due to related parties	49,535,358	58,000,907
Other payables	808,830	1,861,384
Due to directors	1,605,047	2,325,663
	<u>54,767,501</u>	<u>63,081,396</u>
14 Cash at bank and in hand -		
Cash on hand	-	-
For the purpose of the cashflow statement, the year end cash and cash equivalents comprise of the following:		
Cash and Bank balances as above		
Bank overdraft (Note 8)	(2,228,258)	(2,406,783)
	<u>(2,228,258)</u>	<u>(2,406,783)</u>
15 Investment in quoted shares		
28,462 shares in Uchumi supermarket Limited	5,123	5,977
16 Related party transactions		
The following transactions were carried out with related parties:		
(i) Sales of goods		
Njoro Canning factory (k) Limited	12,140,209	2,932,850
(ii) Purchases of goods		
Njoro Canning factory (k) Limited	67,176,081	54,173,893
(iii) Outstanding balance arising from advances to related parties		
Njoro Vegetables Limited	553,262	305,262
(iv) Outstanding balance arising from Purchases of goods		
Njoro Canning factory (k) Limited	49,535,358	58,000,907
Njoro Canning Factory (k) Limited and Njoro Vegetables Limited are companies owned by Mr. T.K Patel and Mr. Vipul T. Patel, the directors and share holders of Kenya Orchards Limited. The above transactions were carried out on commercial terms and conditions. The advances to/from related parties were interest free and no specified repayment dates.		
17 Earnings Per Share		
Basic Earnings Per Share		
The Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.		
Profit attributable to ordinary shares		
Net profit /(loss) for the year	1,767,471	1,924,241
Dividend to preference shareholders	(55,000)	(55,000)
Net (loss)/profit attributable to ordinary shareholders	1,712,471	1,869,241
Weighted average number of ordinary shares outstanding	12,868,124	12,868,124
Basic earnings per share (Shs)	0.13	0.15
18 Contingent liabilities		
There were no known contingent liabilities as at 31st December, 2023.		

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TRADING ACCOUNT

1. COST OF SALES

	2023	2022
	Shs	Shs
Opening stock	41,718,914	29,391,175
Purchases	67,905,000	54,173,893
Direct cost (1.1)	2,296,507	1,157,616
Closing stock	<u>(52,592,705)</u>	<u>(41,718,914)</u>
	<u><u>59,327,716</u></u>	<u><u>43,003,770</u></u>

1.1 Direct cost

Freight clearing and transport	-	696,179
Depreciation - plant and equipment	<u>2,296,507</u>	<u>461,437</u>
	<u><u>2,296,507</u></u>	<u><u>1,157,616</u></u>

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SCHEDULE OF OPERATING EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2023	2022
	Shs	Shs
Audit fees	210,000	210,000
Advertising	350,844	321,637
Subscriptions	227,919	187,500
Bank Charges	35,854	268,013
Bad debts	98,004	21,432
Traveling	-	90,000
Legal and professional fees	251,050	235,250
General expenses	-	35,323
Withholding prior year	-	903,466
Telephone account	-	16,636
Motor vehicle expenses	17,000	35,283
Insurance	191,040	140,179
Staff training	-	50,000
Donations	15,000	-
Nita levy	1,750	-
Salaries	4,944,655	1,188,772
NSSF employer contribution	234,601	12,960
Housing levy employer contribution	58,775	-
	<u>6,636,492</u>	<u>3,716,451</u>
2. Selling and Distribution Expenses		
Depreciation - motor vehicle	594,684	792,913
Sales promotion expenses	124,304	-
Insurance	665,186	353,183
	<u>1,384,174</u>	<u>1,146,096</u>
3. Establishment expenses		
Depreciation - furniture & computers	<u>64,085</u>	<u>73,462</u>