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Company information

Directors

The directors of the company are as follows:

Oliver Fowler

Chairman, non-executive, aged 61, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 30 years. He was raised on a tea plantation in Limuru, of which he was a director until 2009.

Neil Cuthbert

Managing, aged 58, has been managing director since 2000 having previously been group general manager. He has had overall responsibility for the Kenya estates since the formation of the company and has worked for the REA group in Kenya since 1979.

Richard Robinow

Non-executive, aged 68, has been a director of R.E.A. Holdings plc since 1978 and chairman since 1984. After an initial career in investment banking, he has been involved in the plantation business since 1974. He is a non-executive director of Sipef SA and M P Evans Group plc. R.E.A. Holdings plc, M P Evans Group plc and Sipef SA are European public companies which own and operate plantations in various parts of the world.

Stephen Waruhiu

Independent non-executive, aged 59, is a licensed valuer and estate agent. He is the managing director of Lloyd Masika Limited and has been practising as a valuer and estate agent in Kenya and also in Tanzania and Uganda for over 30 years. He is a non-executive director of Kakuzi Limited.

Brown Ondego

Independent non-executive, aged 62, has extensive experience in the shipping industry. Whilst serving as managing director of Mackenzie Maritime Limited he was recruited to serve as managing director of Kenya Ports Authority, a position he held until 2005. He is currently executive vice-chairman of Rift Valley Railways Limited and a non-executive director of Barclays Bank of Kenya Limited.

Secretary and registered office

Ian Hodson,
Certified Public Secretary (Kenya),
1st Floor, Block D,
Wilson Business Park,
P.O. Box 17648, Nairobi 00500

Registrars and transfer office

Custody and Registrars Services Limited,
Bruce House, Standard Street,
P.O. Box 8484, Nairobi 00100

Independent auditor

Deloitte & Touche,
Certified Public Accountants (Kenya),
Deloitte Place, Waiyaki Way,
Muthangari,
P.O. Box 40092, Nairobi 00100

Principal Bankers

Commercial Bank of Africa Limited
Upper Hill,
P.O. Box 30437, Nairobi 00100

NIC Bank Limited,
Masaba Road,
P.O. Box 44599, Nairobi 00100

National Bank of Commerce Limited
P.O. Box 1863, Dar-es-Salaam
Tanzania

Advocates

Kaplan & Stratton,
Williamson House,
4th Ngong Avenue,
P.O. Box 40111, Nairobi 00100

Notice of meeting

Notice is hereby given that the nineteenth annual general meeting of the company will be held at Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Friday 23 May 2014, at 10.30 a.m. for the following purposes:

1. Introduction

As ordinary business:

2. To receive and consider the company's annual report and financial statements for the year ended 30 September 2013.
3. To approve the payment of a first and final dividend for the year ended 30 September 2013 in such amount as may be recommended by the directors.
4. To elect directors in accordance with the company's Articles of Association.
5. To approve the directors' remuneration for the year ending 30 September 2014.
6. To note that Deloitte & Touche continue as auditors under the provisions of section 159(2) of the Kenyan Companies Act.
7. To authorise the directors to negotiate the auditors' remuneration.

By order of the board

I R HODSON
Secretary
27 January 2014

Note:

Election of directors
Article 82E states as follows:

No person, other than a Director retiring at the meeting, shall, unless recommended by the Directors for election, be eligible for appointment as a Director at any General Meeting unless, not less than seven nor more than twenty-one days before the day appointed for the meeting, there shall have been delivered to the Secretary a notice in writing signed by a Member, duly qualified to attend and vote at the meeting for which notice has been given, of his intention to propose such person for election and notice in writing, signed by the person to be proposed, of his/her willingness to be elected.

Corporate governance

The board of REA Vipingo Plantations Limited ("the company") is committed to the principle that the company and its subsidiary companies ("the group") should operate with integrity and ethics and maintain a high standard of corporate governance in the interest of shareholders and all other stakeholders. The Board believes that the company has complied with the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya issued by the Capital Markets Authority ("the CMA guidelines") and the Nairobi Securities Exchange Continuing Listing Requirements.

Board of Directors

The board of directors is responsible for the overall management and long-term strategy of the group and to ensure that the group complies with statutory and regulatory requirements and fulfils its responsibilities to shareholders and the wider community.

The board of directors consists of five directors. Brief biographical notes are given on page 2 of this report. Four of the directors, including the chairman of the board are non-executive directors. Directors are appointed following recommendation from the Nomination Committee and in accordance with the requirements of the Company's Articles of Association, as well as the CMA guidelines.

Non-executive directors are required to retire and seek re-election at least once every three years. A director appointed during the year is required to retire and seek re-election at the next Annual General Meeting.

The roles of the Chairman and Managing Director are clearly separated. The Chairman leads the board in its oversight of the group's activities and ensures that the board is able to function effectively. Day to day management of the business and implementation of policy decisions approved by the board is the responsibility of the Managing Director, who leads other senior personnel.

Directors are provided with full and timely information to enable them to discharge their responsibilities effectively. Non-executive directors are encouraged to develop their knowledge of the operations of the group by visits to the various locations of the group. They also have unrestricted access to senior management and the company secretary.

Committees of the Board

There are three standing committees of the board, each with its own separate written terms of reference.

Audit Committee

The members of the Audit Committee are Oliver Fowler, Richard Robinow and Stephen Waruhiu. The principal responsibilities of the committee include the review of financial and other reports, the effectiveness of internal controls and agreeing the scope of and subsequently reviewing the results of the external audit. The audit committee normally holds two formal meetings in each year to which the external auditor is invited. In addition, the committee consults by electronic means as may be necessary.

Nomination Committee

The members of the nomination committee are Oliver Fowler, Richard Robinow and Neil Cuthbert. It makes recommendations to the board relating to the appointment of directors. Directors are appointed on the basis that the board should provide a broad range of experience and expertise relevant to the requirements of the group, whilst taking into consideration the need to represent the interests of all shareholders. The committee meets as and when required.

Corporate governance *(Continued)*

Remuneration Committee

The members of the remuneration committee are Oliver Fowler and Richard Robinow. It is responsible for the determination of the executive director's remuneration. It meets annually or as may be required.

Communication with shareholders

The annual report is distributed to all shareholders at least 21 days prior to the annual general meeting. At the annual general meeting, shareholders are invited to question the board on the financial results and other matters of general relevance to the group.

Other communications are distributed to shareholders as necessary.

The group maintains a website, www.reavipingo.com, which gives general information about the group. Annual and half yearly reports are posted on the website as soon as practicable after approval for issue by the board.

Directors' emoluments and loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year are disclosed in Note 6 to the financial statements. Remuneration to non-executive directors is approved by members at the annual general meeting. There were no directors' loans at any time during the financial year.

The employment terms of the managing director are defined by a service contract. There are no long-term service contracts relating to the position of any other director.

There are no arrangements in place to which the company is a party whereby directors might acquire benefits by means of the acquisition of shares in the company.

Employment and environmental practices

The group carries out training programmes that cater for all grades of staff. The group strives to ensure that, wherever possible, there is a clear plan of succession at managerial and supervisory levels and has a policy of promoting from within wherever possible.

The Board has adopted policies and issued policy statements relating to Health and Safety, HIV/AIDS and Employment Policies in general.

Health and Safety Committees, with equal representation from management and unionisable employees, are established on both of the Kenyan Estates and meet quarterly. The Kenyan Estates are subject to annual Health and Safety audits in compliance with legislation. Health and Safety is also receiving attention in Tanzania and committees have been established.

Environmental audits, as required by Kenyan legislation, are conducted regularly. The group is committed to the protection of the environment and plants a number of trees every year at most locations. Solid sisal waste from the decorticating process is recycled by applying it to the fields as a natural fertiliser.

The group has recently designed and developed a method of recycling waste water from the sisal decorticators at Dwa Estate. Reservoirs to store waste water have been constructed and the water has successfully been used for irrigation of horticulture crops. A similar arrangement is being developed at the Vipingo factory site.

Dwa estate is now harvesting most of the rain water from its factory roofs and utilising the water for horticulture irrigation.

Corporate governance *(Continued)*

Corporate social responsibility

The group devotes considerable resources towards the social welfare of its employees and their dependants. Housing is provided to most employees on all group estates and all houses are regularly maintained and provided with easy access to potable water, shops, clinics and schools.

All estates within the group have medical facilities for employees and their immediate dependants and on the larger estates these facilities include ward beds and laboratories. All medical facilities are manned by suitably qualified professionals and are stocked with a wide range of drugs.

The medical facilities on the Tanzanian estates have all been upgraded recently and additional better qualified staff hired.

In recent years strong emphasis has been placed upon HIV/AIDS education. In conjunction with various NGOs, a number of awareness programmes have been established, peer counsellors from among the workforce have been trained, and testing and treatment facilities made available.

The group operates nursery schools for employees' children on its estates which are fully funded by the group. Infrastructural and other support is provided to government primary schools situated on group estates and the group has in place a scholarship scheme whereby selected talented children of employees are provided with assistance with secondary school fees.

In both Kenya and Tanzania, the group also assists community schools outside of the estates, but within the vicinity in which the group operates, usually by way of assistance with building materials and infrastructure.

The group acknowledges its responsibilities to the general community and participates in a variety of other social projects within the areas in which it operates and also donates on a regular basis to a number of charities.

Directors' interest

The interest of the directors in the shares of the company at 30 September 2013 were as follows:

Name of director	Number of ordinary shares	
	2013	2012
Oliver Fowler	58,929	58,929
Neil Cuthbert	2,259,992	2,346,992
Richard Robinow	26,786	26,786

In addition, companies controlled by the Robinow family and their subsidiary and associated companies own 34,226,854 shares in the company (2012: 34,226,854 shares).

Corporate governance *(Continued)*

The ten largest shareholdings at the end of the reporting period were:

Name	No of Shares	Percentage
REA Holdings plc	21,880,745	36.47%
REA Trading Limited	12,346,109	20.57%
N.R. Cuthbert	2,259,992	3.77%
Standard Chartered Nominees Account 9532	1,574,200	1.76%
CFC Stanbic Nominees Account R93201	1,000,000	1.67%
Shardaben Vithandas Morjaria	863,377	1.44%
Kenyalogy.com	690,900	1.15%
Dinker & Harbala Waghmarae	688,400	1.15%
Mamujee Brothers Foundation	687,907	1.15%
Prime Securities Investments Trust	529,278	0.88%
	42,520,908	70.87%
5,877 other shareholders	17,479,092	29.13%
	60,000,000	100.00%

Distribution schedule

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
1-500	2,538	416,971	0.70%
501-5,000	2,934	4,435,729	7.39%
5,001-10,000	188	1,386,327	2.31%
10,001-100,000	187	4,711,883	7.85%
100,001-1,000,000	36	10,988,044	18.31%
Above 1,000,000	4	38,061,046	63.44%
	5,887	60,000,000	100.00%

Shareholder profile

Local individual shareholders	5,398	16,599,618	27.66%
Local institutional shareholders	418	5,217,667	8.70%
Foreign individual shareholders	65	3,444,775	5.74%
Foreign institutional shareholders	6	34,737,940	57.90%
	5,887	60,000,000	100.00%

Chairman's statement

The profit before tax and before accounting for "theoretical" gains arising from the valuation of biological assets was slightly lower than that achieved during the preceding year but, nevertheless, the year to 30th September 2013 was rewarding with an outturn of Shs 420 million (Shs 648 million after biological asset valuation) as compared with Shs 467 million (Shs 555 million after biological asset valuation) in the preceding year.

Overall fibre volumes produced were almost exactly the same as in the previous year at 19,168 tonnes. Within this total, production from our Kenyan estates was very much in line with budget expectations but, regrettably, continuing operational challenges in Tanzania resulted in lower than expected volumes and grades from the Tanzanian estates. The "nomadic" nature of some of the labour in Tanzania continues to impact negatively on the Tanzanian operations.

Operating costs have generally risen across the group and higher wages as a result of recent wage agreements in Kenya will result in further increases in the cost of production going forward. Energy costs in both Kenya and Tanzania are expected to rise again this year. There are no signs that electricity supplies from the Tanzanian grid will improve in the foreseeable future. The inconsistent and erratic electricity supply in Tanzania continues to create inefficiencies and increase costs. Generators have to be used for extended periods and at prevailing high fuel prices are expensive to run.

The Tanga spinning mill, despite lower volumes, produced an improved contribution with the mill managing to maintain and, in some cases, improve sales prices while keeping operating costs at reasonable levels. Overall the mill produced 2,448 tonnes of sisal products, the bulk of which continued to be sold into local and regional markets.

Group turnover was Shs 2.57 billion, almost exactly the same as in the previous year. The early months of the year saw some weakening in the demand for sisal fibre from certain premium markets. Fortunately, this weakening was not sustained and, with demand continuing at good levels from non premium markets, sisal prices ended the year at record levels.

The horticulture section at Dwa had a challenging year as a result of difficulties experienced in sourcing high yielding baby corn seed. These difficulties were eventually resolved and satisfactory baby corn yields are now again being achieved at Dwa.

As noted above, although the profit before tax for 2012/13 appears greater than that of 2011/12 that is entirely due to a higher gain on the valuation of biological assets. I must caution members that this so called gain, which results from the application of International Accounting Standard (IAS) 41 – Agriculture, does not represent a cash profit.

The wind yield assessment that the group carried out in conjunction with a European utility company at Vipingo indicated wind speeds that suggested that a wind farm was likely to be only marginally viable. Given an investment requirement estimated at around $100 million, the directors concluded that it would not be worthwhile to pursue this further.

Chairman's statement *(Continued)*

Whilst sisal fibre prices remain at a very remunerative level, current prices have to an extent been supported by a shortage of Brazilian fibre following an extended drought in the sisal growing areas in Brazil. With this drought now over, credit tightening in China, our largest market by far, and the possible loss of some traditional customers encouraged by the high sisal prices to substitute alternatives for sisal fibre, there must be some question as to how long the sisal market will remain at current levels. In addition, we face climatic, exchange rate and other risks that are inherent in all agricultural commodity businesses.

Shareholders will be aware that, in November, the board received a notice from R.E.A. Trading Limited, our largest shareholder, of its intention to make an offer to buy out all other shareholders in the company. Subsequent to this, the board received notices from two other parties each indicating an intention to make a competing offer.

Following receipt of such notices, your board commissioned an independent valuation of the main assets of the company and its subsidiaries. Once the formal documents containing the proposed offers have been received, your board will be circulating shareholders and making their recommendations as required by law.

In the meanwhile, the board has convened the company's 2014 annual general meeting for a later date in the year than has hitherto been usual in the hope that the meeting can be held against a background of greater clarity regarding the future ownership of the company than is currently available. The board is also deferring making a recommendation as to the dividend to be proposed in respect of 2012/13 pending such greater clarity.

The board and I are aware that the outstanding offer situation may be unsettling to some staff but we have received assurances from the controlling shareholder, R.E.A. Trading Limited, that there will be no change in the way the business is managed and that R.E.A. Trading Limited will continue to support the company's current management team.

Finally I would like to record my appreciation, on behalf of the board, to all of the group's staff for their excellent efforts and continued support throughout the year.

OLIVER FOWLER
CHAIRMAN
27 January 2014

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2013 and crops are stated for the whole year ended on that date and referred to as the 2013 crop year.

Dwa

The Dwa estate is situated at Kibwezi, some 200 kilometres from Nairobi, just north of the Nairobi/Mombasa highway. The estate covers an area of 8,990 hectares made up as follows:

	Hectares
Mature sisal	3,375
Older sisal	243
Immature sisal	1,490
Nurseries	108
Other areas	3,674
Horticulture	100
	8,990

The second half of 2012 was very dry at Dwa with the result that the estate entered the financial period with a poor leaf position and producing poor quality fibre. The November/December rains were, at best, adequate but the April 2013 rains were better than normal and as a consequence the estate had a satisfactory year.

Overall fibre production was 7,193 tonnes (2012 – 6,918 tonnes) and fibre grades were in line with expectations.

The annual replant at Dwa is carried out, in the main, prior to the November rains, which are historically the more reliable in the area and, during 2013, some 450 ha of new sisal was planted. Going forward it is intended that Dwa continues to plant at this level with a view to maintaining production consistently, during normal weather patterns, of slightly in excess of 7,000 tonnes per annum.

The rains during November/December 2013 have been satisfactory and so the estate has entered the current financial period with a good leaf position and, provided adequate rain is received around April, Dwa should meet its target for both volume and quality.

Horticulture

The Dwa horticulture activities are based around two centres, a pivot irrigation system on the main estate near to the sisal factory and a 130 acre plot of leased land on the Athi River, near to the estate. The main crop produced at both locations continues to be baby corn which, ordinarily, grows well in the hot conditions in this area.

Water resources on the Dwa property are limited and to a very large degree horticulture activities are reliant on waste water from the sisal factory which is recovered and recycled.

During the year horticulture faced some serious challenges occasioned by a shortage of good quality baby corn seed. There were some supply shortfalls in the international market but the main difficulty was as a result of a maize virus that affected large parts of the Rift Valley and resulted in the authorities restricting, for an extended period, imports of maize and maize related seed. As a result, for most of the second half of the financial period, a baby corn seed that produced materially lower yields had to be used.

In recent months better quality, high yielding seed has been sourced and yields and overall volumes have returned to satisfactory levels.

In addition to baby corn, chilli and asparagus are also produced at Dwa but in relatively low volumes.

The hot conditions for most of the year in the Dwa area, and the water constraints, do restrict what can be grown and on what scale with the result that horticulture operations will be consolidated with no immediate plans for further expansion.

Review of operations *(Continued)*

Vipingo

The Vipingo estate is situated on the Kenya coast, some 30 kilometres north of Mombasa. The estate covers an area of 4,279 hectares made up as follows:

	Hectares
Mature sisal	1,998
Older sisal	348
Immature sisal	927
Nurseries	84
Other areas	922
	4,279

Vipingo had a good rainfall distribution during the financial period and, as a result, the estate enjoyed a satisfactory leaf position throughout the year. A total of 4,761 tonnes (2012 – 4,988 tonnes) of fibre was produced during the year. The good quality leaf that was available enabled the estate to also produce a very satisfactory grade mix.

The annual replant at Vipingo is carried out, in the main, prior to the April rains and during 2013 some 297 ha was planted. Going forward, land resources dictate that replanting will be done at a rate of between 250 and 280 ha per annum which is expected to maintain production consistently at around 5,000 tonnes per annum.

The November 2013 rains have been adequate but not good and, although the estate continues to have a good leaf position, a reasonably normal rainfall pattern will be required for the remainder of the financial period in order to maintain this position.

Amboni Plantations Limited

The Amboni estates comprise three separate properties, namely the Mwera, Sakura and Kigombe estates, situated south of Tanga on the Tanzanian coast.

The Mwera and Sakura estates are adjacent to each other just to the south of the Pangani river some 60 kms south of Tanga. The Mwera estate is the operational centre for the Tanzanian business and has extensive workshop and other support facilities.

The Kigombe estate, acquired in September 2010, is conveniently situated just to the north of the Pangani river and approximately mid way between Mwera estate and the port of Tanga from where the group's fibre is exported.

The Tanzanian estates cover an area of 14,836 hectares made up as follows:

	Hectares
Mature sisal	3,881
Older sisal	1,577
Immature sisal	1,321
Nurseries	96
Other areas	7,961
	14,836

The Tanzanian estates had reasonable rainfall during the financial period and, as a result, had a good leaf position. The estates do, however, continue to face operational challenges including labour shortages and almost daily power outages.

The nomadic nature of part of the workforce in Tanzania poses serious challenges to management and is the main reason why the Mwera and Sakura estates have not reached, and continue not to reach, their production potential. In addition, both estates require further investment, which is currently being made, in additional water supply and storage. The Kigombe estate, which is much smaller due to its lower planted area, produced more or less to expectations.

Review of operations *(Continued)*

Amboni Plantations Limited *(Continued)*

Poor and inconsistent mains power supply necessitates the use of expensive standby generators at all locations on a regular, almost daily, basis. As a consequence of the almost continual use of standby generators, two large generators were replaced with new units in the latter part of 2013.

Total production of sisal fibre in Tanzania was 7,214 tonnes (2012 – 7,598 tonnes).

Replanting in Tanzania is largely carried out prior to the April rains and in 2013 a total area of 484 ha was planted. The Kigombe estate is being planted at an enhanced rate with some 201 ha planted during the period.

Amboni Spinning Mill Limited

The Tanga spinning mill, situated on the outskirts of Tanga town, produces sisal yarns, twine and ropes which are sold both regionally and internationally.

Although slightly lower in volume terms, demand for yarn in the local and regional markets remained good throughout the year and represented about two thirds of total sales. The international market continues to be very competitive but sales volumes have more or less been maintained and prices have seen some upward movement. Total production for the year was 2,448 tonnes (2012: 2,767 tonnes).

Although volumes were less than the previous year, prices achieved were higher with the result that the mill produced a better contribution to group results.

Regional sales volumes and prices have, since the start of new financial period, come under some pressure but international sales have been satisfactory. Unless regional sales prices and volumes improve, the current financial year is likely to be more difficult for the mill.

Marketing

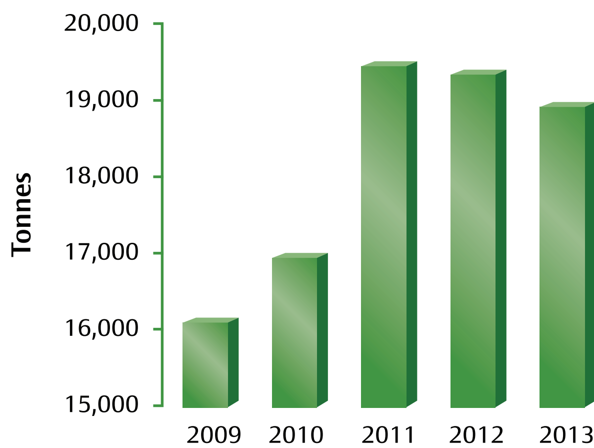
Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Company Limited, and this arrangement continued through the year to 30 September 2013. Wigglesworth & Company Limited, which is a leading international sisal merchant, continued to develop the existing traditional markets for the group products and to exploit further the developing niche markets for the quality fibre and yarns that the group is able to produce.

Review of operations *(Continued)*

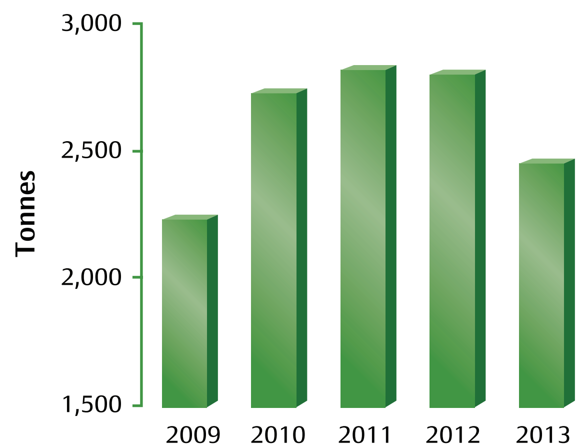
Group statistical information

Total sisal fibre production was 19,168 tonnes (2012: 19,504 tonnes) and spun product production was 2,448 tonnes (2012: 2,767 tonnes). The average price of sisal fibre increased by approximately $35 per tonne.

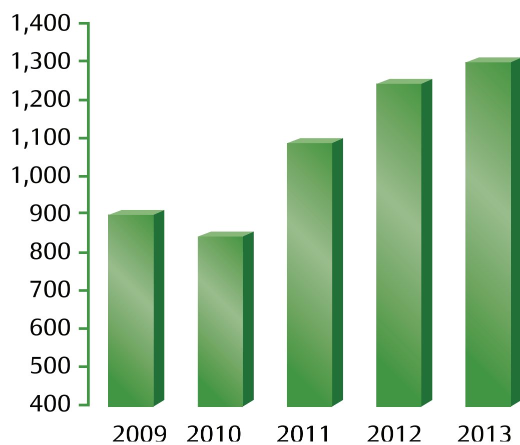
Fibre production



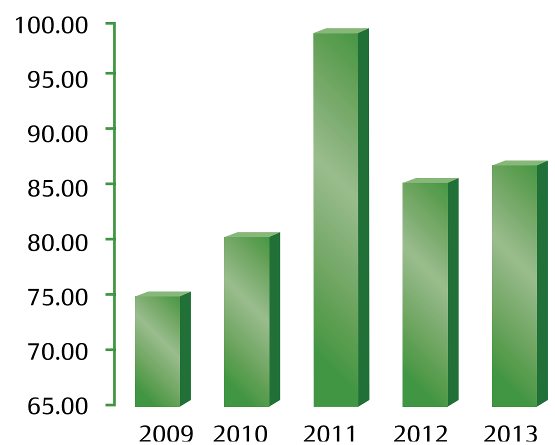
Yarn and twine production



Average fibre price per tonne (US$)



Exchange rate at 30 September Kenya Shilling to US$



Report of the directors

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2013 which disclose the state of affairs of the group and the company.

Incorporation and registered office

The company is incorporated in Kenya under the Kenyan Companies Act as a limited liability public company and is domiciled in Kenya. The address of the registered office is shown on page 2.

Principal activities

The company is engaged in the cultivation of sisal and the production of sisal fibre and also acts as a holding company. The principal businesses of the subsidiary companies comprise the cultivation and production of sisal and horticultural produce, manufacture of sisal yarns and twines, sisal export and commission agent and property holding.

Results and dividend

The group profit for the year of Shs 442,466,000 (2012: Shs 380,433,000) has been added to retained earnings.

The directors have not yet made a recommendation regarding the payment of a dividend for the year ended 30 September 2013. (2012: Shs 1.10 per share amounting to Shs 66,000,000).

Directors

The directors who held office during the year and to the date of this report were:

O M Fowler	Kenyan	(Chairman)
N R Cuthbert	British	(Managing)
R M Robinow	British	
S N Waruhiu	Kenyan	
B M M Ondego	Kenyan	

Auditors

The auditors, Deloitte & Touche, continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

By order of the Board

I R HODSON
Secretary
27 January 2014

Statement of directors' responsibilities

The Kenyan Companies Act requires the directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure that the parent company and its subsidiary companies keep proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

N R Cuthbert	O M Fowler
Director	Director

27 January 2014

Independent Auditors' Report to the Members of Rea Vipingo Plantations Limited

Report on the Financial Statements

We have audited the accompanying financial statements of REA Vipingo Plantations Limited and its subsidiaries, set out on pages 17 to 72, which comprise the consolidated and company statements of financial position as at 30 September 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 30 September 2013 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal 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 statement of financial position is in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Iqbal P Karim – P/No 1895.

Deloitte & Touche
Certified Public Accountants (Kenya)
27 January 2014
Nairobi, Kenya

Consolidated statement of profit or loss and other comprehensive income

	Notes	2013 Shs'000	2012 Shs'000
Revenue	5	2,570,103	2,571,725
Net gain arising from changes in fair value of biological assets	13	228,154	87,639
Cost of sales		(1,422,005)	(1,394,208)
Gross profit		1,376,252	1,265,156
Interest income		2,608	52
Other operating income		2,682	12,281
Foreign exchange gains/(losses) – net		503	(32,266)
Distribution costs		(94,711)	(82,538)
Administrative expenses		(628,102)	(576,783)
Other operating expenses		(3,554)	(3,392)
Finance costs	8	(7,686)	(27,217)
Profit before tax	6	647,992	555,293
Tax charge	9(a)	(205,526)	(174,860)
Profit for the year		442,466	380,433
Comprising:			
Profit arising from operating activities		282,759	319,086
Profit arising from changes in fair value of biological assets		159,707	61,347
		442,466	380,433
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange adjustment on translation of foreign subsidiaries		(2,741)	(61,148)
Total comprehensive income for the year		439,725	319,285
Earnings per share - basic and diluted	10	Shs 7.37	Shs 6.34

Consolidated statement of financial position

As at 30 September 2013	Notes	2013 Shs'000	2012 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	833,764	806,444
Biological assets	13	883,019	656,077
Investment property	14	4,564	4,619
Investment in unquoted shares	16	9,151	9,151
Deferred tax assets	22	3,284	1,891
Post employment benefit asset	23(b)	22,761	18,880
		1,756,543	1,497,062
Current assets			
Inventories	17	443,017	461,210
Receivables and prepayments	18	359,322	366,792
Tax recoverable	9(b)	4,825	23,253
Cash and cash equivalents	19	233,723	28,301
		1,040,887	879,556
Total assets		2,797,430	2,376,618
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	300,000	300,000
Share premium		84,496	84,496
Translation deficit		(117,844)	(115,103)
Retained earnings		1,829,218	1,452,752
Shareholders' funds		2,095,870	1,722,145
Non-current liabilities			
Borrowings	21	28,735	48,605
Deferred tax liabilities	22	316,325	242,457
Post employment benefit obligations	23(a)	135,837	105,427
		480,897	396,489
Current liabilities			
Payables and accrued expenses	24	143,691	155,486
Tax payable	9 (b)	47,369	-
Borrowings	21	29,603	102,498
		220,663	257,984
Total equity and liabilities		2,797,430	2,376,618

The financial statements on pages 17 to 72 were approved for issue by the board of directors on 27th January 2014 and were signed on its behalf by:

N R Cuthbert Director

O.M. Fowler Director

Company statement of financial position

As at 30 September 2013	Notes	2013 Shs'000	2012 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	180,327	167,893
Biological assets	13	129,077	61,894
Investments in subsidiaries	15	571,422	571,786
Post employment benefit asset	23 (b)	13,877	11,520
		894,703	813,093
Current assets			
Inventories	17	74,834	85,294
Receivables and prepayments	18	217,587	281,977
Tax recoverable	9 (b)	-	942
Cash and cash equivalents	19	113,270	6,001
		405,691	374,214
Total assets		1,300,394	1,187,307
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	300,000	300,000
Share premium		84,496	84,496
Retained earnings		395,791	286,158
Shareholders' funds		780,287	670,654
Non-current liabilities			
Borrowings	21	-	2,304
Post employment benefit obligations	23 (a)	67,120	51,519
Deferred tax liability	22	22,492	4,898
		89,612	58,721
Current liabilities			
Payables and accrued expenses	24	423,733	432,975
Borrowings	21	-	24,957
Tax payable	9(b)	6,762	-
		430,495	457,932
Total equity and liabilities		1,300,394	1,187,307

The financial statements on pages 17 to 72 were approved for issue by the board of directors on 27th January 2014 and were signed on its behalf by:

N R Cuthbert Director

O M Fowler Director

Consolidated statement of changes in equity

	Share Capital Shs'000	Share Premium Shs'000	Translation deficit Shs'000	Retained earnings: Biological assets fair value Shs'000	Retained earnings: Other Shs'000	Retained earnings: Total Shs'000	Total Shs'000
Year ended 30 September 2012							
At the start of year	300,000	84,496	(53,955)	260,075	878,244	1,138,319	1,468,860
Profit for the year	-	-	-	61,347	319,086	380,433	380,433
Other comprehensive loss for the year	-	-	(61,148)	-	-	-	(61,148)
Total comprehensive (loss)/income for the year	-	-	(61,148)	61,347	319,086	380,433	319,285
Dividend paid for 2011	-	-	-	-	(66,000)	(66,000)	(66,000)
At end of year	300,000	84,496	(115,103)	321,422	1,131,330	1,452,752	1,722,145

The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.

Consolidated statement of changes in equity *(Continued)*

				Retained earnings			
	Share capital	Share premium	Translation deficit	Biological assets fair value	Other	Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 september 2013							
At start of year	300,000	84,496	(115,103)	321,422	1,131,330	1,452,752	1,722,145
Profit for the year	-	-	-	159,707	282,759	442,466	442,466
Other comprehensive loss for the year	-	-	(2,741)	-	-	-	(2,741)
Total comprehensive (loss)/income for the year	-	-	(2,741)	159,707	282,759	442,466	439,725
Dividend paid for 2012	-	-	-	-	(66,000)	(66,000)	(66,000)
At end of year	300,000	84,496	(117,844)	481,129	1,348,089	1,829,218	2,095,870

The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.

Company statement of changes in equity

	Share capital	Share premium	Retained earnings			Total
			Biological assets fair value	Other	Total	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2012						
At start of year	300,000	84,496	(165)	239,153	238,988	623,484
Total comprehensive (loss)/ income for the year	-	-	(3,648)	116,818	113,170	113,170
Dividend paid – 2011	-	-	-	(66,000)	(66,000)	(66,000)
At end of year	300,000	84,496	(3,813)	289,971	286,158	670,654
Year ended 30 September 2013						
At start of year	300,000	84,496	(3,813)	289,971	286,158	670,654
Total comprehensive income for the year	-	-	47,028	128,605	175,633	175,633
Dividend paid – 2012	-	-	-	(66,000)	(66,000)	(66,000)
At end of year	300,000	84,496	43,215	352,576	395,791	780,287

Consolidated statement of cash flows

	Notes	2013 Shs'000	2012 Shs'000
Cash flows from operating activities			
Net cash generated from operations	27	554,747	529,876
Interest received		2,608	52
Interest paid	8	(7,686)	(27,217)
Tax paid	9(b)	(66,795)	(170,053)
Net cash generated from operating activities		482,874	332,658
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(133,182)	(166,411)
Proceeds from disposal of property, plant and Equipment		12,511	7,572
Net cash used in investing activities		(120,671)	(158,839)
Cash flows from financing activities			
Proceeds from long-term borrowings		13,945	-
Repayment of long-term borrowings		(44,834)	(50,200)
Dividend paid to shareholders		(66,000)	(66,000)
Net cash used in financing activities		(96,889)	(116,200)
Increase in cash and cash equivalents		265,314	57,619
Cash and cash equivalents at start of year		(33,104)	(94,047)
Effects of exchange rate changes		1,513	3,324
Cash and cash equivalents at end of year	19	233,723	(33,104)

Notes to the consolidated financial statements

1. General information

REA Vipingo Plantations Limited (the company) is incorporated in Kenya under the Kenyan Companies Act as a limited liability public company and is domiciled in Kenya. The address of the registered office is:

1st Floor, Block D
Wilson Business Park
P.O. Box 17648-00500
Nairobi
Kenya

The company is engaged in the cultivation of sisal and the production of sisal fibre and also acts as a holding company. The principal activities of the subsidiary companies (the group) are described in note 15.

2. Accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). For Kenyan Companies Act reporting requirements, in these financial statements the balance sheet is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

Basis of preparation

The financial statements have been prepared under the historical cost convention except where otherwise stated in the accounting policies below. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out below.

The financial statements are presented in the functional currency, Kenya Shillings, rounded to the nearest thousand (Shs'000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires directors to exercise their judgement in the process of applying the accounting policies adopted by the group. Although such estimates and assumptions are based on the information available to the directors, 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 a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

(i) *Relevant new standards and amendments to published standards effective for the year ended 30 September 2013*

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The group had early adopted the amendments to IAS 1 which became mandatory in the current year.

Amendment to IAS 12 Income Taxes

The amendment to IAS 12 relates to the treatment of deferred tax on investment properties carried at fair value. The group's investment properties are carried at amortised cost. The amendment, therefore, had no effect on the group's financial statements.

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies *(Continued)*

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

(ii) Relevant new and amended standards and interpretations in issue but not yet effective and which have not been early adopted by the group

	Effective for annual periods beginning on or after
IFRS 10, Consolidated Financial Statements	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
IAS 19 Employee Benefits (2011) - Revised requirements for pensions and other post-retirement benefits, termination benefits and other changes.	1 January 2013
IAS 27, Separate Financial Statements (2011)	1 January 2013
IAS 36, Impairment of Assets	1 January 2014
IFRS 9, Financial Instruments	1 January 2015

(iii) Impact of relevant new and amended standards and interpretations on the financial statements in issue but not yet effective

- **IFRS 10 Consolidated Financial Statements**

IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation - Special Purpose Entities'.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the returns.

The directors anticipate that the adoption of this new standard will not materially affect the amounts reported in the financial statements.

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies *(Continued)*

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements in issue but not yet effective (Continued)

- **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information)
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

The directors anticipate that IFRS 12 will be adopted in the group's financial statements for the annual period beginning 1 October 2013 and that the application of the new standard would result in more extensive disclosures in the financial statements.

- **IFRS 13 Fair Value Measurement**

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - unobservable inputs for the asset or liability.

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies *(Continued)*

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements in issue but not yet effective (Continued)

- **IFRS 13 Fair Value Measurement** (Continued)

The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the group has yet to assess IFRS 13's full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 October 2013.

- **IAS 19 Employee Benefits (2011)**

An amended version of IAS 19 Employee Benefits has introduced revised requirements regarding pensions and other post-retirement benefits, termination benefits and other changes.

The key amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of re-measurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19)

- Introducing enhanced disclosures about defined benefit plans

- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affecting the recognition and measurement of termination benefits

- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features

- Incorporating other matters submitted to the IFRS Interpretations Committee.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's financial statements for the annual period beginning 1 October 2013. The group has yet to assess the probable impact of these amendments.

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies *(Continued)*

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements in issue but not yet effective (Continued)

- **IAS 27 Separate Financial Statements (2011)**

An amended version of IAS 27 which only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

The standard is effective for annual periods beginning on or after 1 January 2013. The group will apply this amendment prospectively. The directors anticipate no material impact to the group's financial statements.

- **IAS 36 Impairment of Assets**

The amendments to IAS 36 require the disclosure of the recoverable amount of an asset when an impairment loss has been recognized or reversed and a detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed.

The amendments to IAS 36 are effective for periods beginning on or after 1 January 2014. The directors anticipate no material impact to the group's financial statements.

- **IFRS 9 Financial Instruments**

This standard relates to the classification and measurement of financial assets and financial liabilities and it is intended that it will replace IAS 39 Financial Instruments: Recognition and Measurement. The Standard will require financial assets to be classified into two categories: those measured at amortised cost and those measured at fair value. For financial liabilities, the standard will retain most of the IAS 39 requirements. Further phases of this standard are due to be issued in due course. The group has yet to assess the full impact of this standard which will be effective for periods beginning on or after 1 January 2015. The group will also consider the impact of further phases of this Standard when completed by the IASB.

There are no other new and amended standards and interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the group.

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies *(Continued)*

Consolidation

Subsidiaries, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group and consolidation ceases from the date of disposal.

Acquisitions of subsidiaries by the group are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued by the group at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and is measured at cost, being the excess of the cost of acquisition over the net fair value of the group's interest in the identifiable assets, liabilities and contingent liabilities recognised. If the net fair value of the group's interest in the acquired identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition, the excess is recognised immediately in profit or loss.

Costs related to acquisitions are expensed as incurred.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions between the group companies are eliminated on consolidation.

A list of subsidiary companies is shown in Note 15.

Functional currency and translation of foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The consolidated financial statements are presented in thousands of Kenya Shillings, which is also the functional currency of the parent company.

Transactions and balances

Transactions in foreign currencies during the year are translated into the functional currency at rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses on exchange are recognised in profit or loss.

Consolidation

The results and financial position of all subsidiary companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the group's presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each statement of financial position presented (i.e. including comparatives) are translated at the closing rate at the date of that statement of financial position;

(b) Income and expenses for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are recognised in other comprehensive income

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies (Continued)

Operating segments

The group's internal reporting of segmental information is as shared with the group's chief operating decision maker. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Segment results include revenue and expenses directly attributable to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Revenue recognition

Revenue represents the fair value of the consideration receivable, net of Value Added Tax, where applicable and discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the future economic benefits associated with the transaction will flow to the company and the costs associated with the transaction can be measured reliably.

Sales of goods are recognised upon dispatch of the products.

Interest income is recognised as it accrues using the effective interest method, unless collectability is in doubt.

Inventories

Inventories of agricultural produce are stated at fair value which is defined as the estimate of the selling price in the ordinary course of business, less applicable estimated selling costs at the point of harvest.

Inventories of processed twine and yarn are valued at the lower of factory production cost and net realisable value. Cost comprises direct factory labour, other direct costs and related production overheads but excludes interest expenses. Provision is made for slow moving and obsolete inventories.

Consumable stores are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. Provision is made for slow moving and obsolete inventories.

Net realisable value for processed twine, yarn and consumable stores represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Property, plant and equipment

All property, plant and equipment is initially recognised at cost and subsequently stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Depreciation is calculated on the straight line basis to write down the cost of each asset over its estimated useful life as follows:

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

Buildings	50 years
Plant and machinery (including vehicles and equipment)	5 – 10 years
Computer Software	5 years

Leasehold land is depreciated over the unexpired term of the lease on the straight-line basis.

Residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Assets in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

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

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost, including transaction costs, less accumulated depreciation. Depreciation is calculated on a straight line basis to write off the cost of the property over the shorter of the lease period or estimated useful life. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Investment in unquoted shares

Unquoted investments are stated at cost less provision for impairment.

Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period at fair value less estimated selling costs. Gains and losses arising on the initial recognition of biological assets and from subsequent changes in fair value less estimated selling costs are recognised in profit or loss in the accounting period in which they arise.

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

Impairment

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit)

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies *(Continued)*

Impairment *(Continued)*

is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in a revaluation reserve.

Accounting for leases

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership, including land which was formerly accounted for under prepaid operating lease rentals, are classified as finance leases. All other leases are classified as operating leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance charge is charged to profit or loss over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Payments made under operating leases are charged to profit or loss on the straight-line basis over the period of the lease.

Taxation

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.

Current tax is provided on the basis of the results for the year as shown in the financial statements adjusted in accordance with tax legislation and calculated by using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the end of the reporting period and which are expected to apply in the period in which the liability is settled or the asset realised are used to determine deferred tax

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies *(Continued)*

Retirement benefit obligations

The group operates a defined benefit retirement scheme for certain employees. The scheme's assets are held in a separate trustee-administered fund which is funded by contributions from both the group and employees.

The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries, who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the pension obligations and the fair value of the scheme assets are amortised over the anticipated average remaining service lives of the participating employees.

The group has also established a defined contribution retirement benefit scheme for eligible non-unionisable employees. The scheme's assets are held in a separate trustee-administered fund which is funded by contributions from both the company and employees. The group has no obligation, legal or constructive to make further contributions if the scheme does not have sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In addition, the group makes contributions to the National Social Security Fund in the countries of operation, which are statutory defined contribution schemes. The group's obligations under these schemes is limited to specific contributions as legislated from time to time.

The group's contributions in respect of all defined contribution schemes are charged to profit or loss in the year to which they relate.

Employee entitlements

Employee entitlements to retirement gratuities are recognised when they accrue to employees. A provision is made for the estimated liability for retirement gratuities as a result of services rendered by employees up to the end of the reporting period.

The estimated monetary liability for employees' accrued annual leave entitlement at the end of the reporting period date is recognised as an expense accrual.

Investment in subsidiaries

Investments in subsidiary companies are shown at cost less provision for impairment losses. Where, in the opinion of the Directors, there has been an impairment of the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

Long-term loans to subsidiaries, settlement of which has not been planned for the foreseeable future, are regarded as part of the net investment in the subsidiaries. In accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates, the exchange differences arising on such loans are dealt with in the statement of changes in equity.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount and cumulative related exchange differences dealt with in the translation reserve are charged or credited to profit or loss.

Notes to the consolidated financial statements *(Continued)*

2 Accounting policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments constituting such assets and liabilities.

Trade receivables

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts. Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counterparty or when there is a default or delinquency in payment according to agreed terms. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term deposits with original maturities of three months or less.

Investments

Investments are recognised on a trade date basis and are initially measured at cost including transaction costs.

Quoted investments are stated at market value. Unquoted investments are stated at cost less provision for impairment.

Borrowings

Borrowings are initially recorded at fair value, net of any transaction costs incurred, and are subsequently stated at amortised cost using the effective interest rate method. Any difference between the net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

Trade payables

Trade payables are stated at their nominal value.

Share Capital

Ordinary shares are classified as share capital in equity. Any amounts received in excess of the par value of the shares issued are classified as share premium in equity.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Dividends

Dividends payable on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are accrued for after ratification at an annual general meeting.

Comparatives

Where necessary, comparative figures have been restated to conform with current year presentation.

Notes to the consolidated financial statements *(Continued)*

3 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the group's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant. Actual results may differ from these estimates.

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

The key areas of judgement in applying the group's accounting policies and sources of estimation uncertainty are dealt with below:

(a) Critical judgements in applying accounting principles

There are no critical judgements, apart from those involving estimation (see b below), that the directors have made in the process of applying the group's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

Impairment losses

The carrying amounts of tangible assets are reviewed at the end of each reporting period to determine whether there is any indication that assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

No impairment losses were identified at the end of the reporting period.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment and whether assets are impaired.

No changes to the useful lives were identified at the end of the reporting period.

Biological assets

In determining the fair value of biological assets, the group uses the present value of expected cash flows from the asset discounted at a current market determined pre tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. The group considers this in determining an appropriate discount rate to be used and in estimating net cash flows. Management uses estimates based on historical data relating to yields and market prices. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed to reduce any differences between estimates and actual experience. The significant assumptions are set out in note 13.

Notes to the consolidated financial statements *(Continued)*

3 Critical accounting judgements and key sources of estimation uncertainty (Continued)

(b) Key sources of estimation uncertainty (Continued)

Retirement benefit obligations

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations in respect of the defined benefit retirement scheme. The carrying amount of the post employment benefit asset and the key assumptions made in estimating the post employment benefit asset are set out in Note 23 (b).

Deferred tax asset

At the end of each reporting period the directors make a judgement in determining whether it is appropriate to recognise the deferred tax asset.

Income taxes

The group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the group's liability to income tax. Certain transactions may arise for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management

The group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and market prices, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance within the options available in East Africa to hedge against such risks.

The group's risk management policies are approved by the board of directors who also give guidance to management on the operation of these policies.

Categories of financial instruments	**Group**		**Company**	
	2013	**2012**	**2013**	**2012**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	568,119	373,586	326,863	284,375
Financial liabilities				
Borrowings and payables	202,029	306,589	423,733	460,236

Market risk

The activities of the group expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. There has been no change during the year to the group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign exchange risk

Sales of sisal fibre, yarn and twine are undertaken primarily in United States Dollars on agreed terms. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Operating expenses of the group are primarily payable in local currencies. Foreign currency receipts are converted into local currencies on an ongoing basis. The group does not normally enter into forward foreign exchange contracts for the conversion of foreign currency into local currency.

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Foreign exchange risk (Continued)

At the end of the year, the carrying amounts of foreign currency denominated assets and monetary liabilities were as follows:

	Assets		Liabilities	
	2013	**2012**	**2013**	**2012**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Group				
US Dollars	269,972	184,185	67,866	88,252
Sterling Pound	567	-	6,307	6,224
Euro	1,169	1,096	14	-
	271,708	185,281	74,187	94,476
Company				
US Dollars	75,055	55,748	1,249	11,196

Foreign currency sensitivity analysis

The principal foreign currency exposure relates to the fluctuation of the functional currencies of the group against foreign currencies, primarily the United States Dollar.

The following table details the group's sensitivity to a 5% increase or decrease of the Kenya Shilling against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans.

	Euro Impact		US Dollar Impact		Pound Sterling Impact	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Group						
Profit or loss	58(iii)	55(iii)	10,105(i)	4,797 (i)	(298) (ii)	(312) (ii)
Company						
Profit or loss	-	-	3,690 (i)	2,228 (i)	-	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Foreign exchange sensitivity analysis (Continued)

(i) Indicates the increase in profit of a weakening of the Kenya Shilling against the US Dollar by 5%. A strengthening of the Kenya Shilling against the US Dollar by 5% would result in a reduction in profit of the same amount

(ii) Indicates the reduction in profit of a weakening of the Kenya Shilling against the Sterling Pound by 5%. A strengthening of the Kenya Shilling against the Sterling Pound by 5% would result in an increase of the same amount

(iii) Indicates the increase in profit of a weakening of the Kenya Shilling against the Euro by 5%. A strengthening of the Kenya Shilling against the Euro by 5% would result in a reduction in profit of the same amount

The sensitivity analysis relates to outstanding foreign currency denominated monetary items at the year end only and is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year

Price risk

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

Interest rate risk

The group is exposed to interest rate risk as it has borrowings at variable interest rates.

Interest rate sensitivity analysis

The sensitivity analysis has been prepared on the assumption that the outstanding balance of borrowings at variable interest rates at the end of the reporting period remained constant for the whole year.

If interest rates had been 1% higher/lower and all other variables remained constant, the profit before tax for the year would have decreased/increased by :

Group		Company	
2013	2012	2013	2012
Shs'000	Shs'000	Shs'000	Shs'000
583	1,511	-	273

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk

Credit risk is the risk of financial loss in the event that a customer or counter-party to a financial instrument fails to meet its contractual obligations. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining collateral where appropriate.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by the banking regulatory authority.

The majority of the sales of sisal fibre and yarns are made to an associated company, Wigglesworth & Company Limited. Wigglesworth & Company Limited is a long-established international sisal merchant. The normal credit period for sales to Wigglesworth & Company Limited is 30 days from the date of shipment. Other customers are assessed for credit worthiness on an individual basis. Customers who are unable to meet the criteria for creditworthiness are supplied on a prepayment basis.

Included in trade receivables are debtors which are past due at the reporting date and for which no provision for impairment has been made as there has been no change in the credit quality and past experience indicates that payment will be received.

The amount that best represents the maximum exposure to credit risk is made up as follows:

Group

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2013			
Bank balances	220,978	-	-
Trade receivables	14,033	3,535	-
Related party receivables	195,854	-	-
Others	120,974	-	-
Total	551,839	3,535	-
2012			
Bank balances	5,374	-	-
Trade receivables	11,913	7,442	-
Related party receivables	174,143	-	-
Others	151,787	-	-
Total	343,217	7,442	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk (Continued)

Company

	Fully Performing Shs'000	Past due Shs'000	Impaired Shs'000
2013			
Cash at bank	109,476	-	-
Trade receivables	610	436	-
Related party and group receivables	181,247	-	-
Others	31,300	-	-
Total	322,633	436	-
2012			
Cash at bank	-	-	-
Trade receivables	1,240	-	-
Related party and group receivables	243,899	-	-
Others	33,235	-	-
Total	278,374	-	-

Bank balances are fully performing.

The customers under the fully performing category are paying their debts as they continue trading.

The default rate is low.

The debt that is overdue is not impaired and continues to be paid.

No amounts are considered to be impaired.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the financial liabilities that will be settled on a net basis into the relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows of financial liabilities and includes both interest and principal cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Liquidity risk (Continued)

Group	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000
At 30 September 2013			
Borrowings	29,603	26,988	1,747
Payables, accrued expenses and other liabilities	143,691	-	-
Deferred charge on borrowings	2,889	972	30
Total financial liabilities	176,183	27,960	1,777
At 30 September 2012			
Borrowings	102,498	26,932	21,673
Payables, accrued expenses and other liabilities	155,486	-	-
Deferred charge on borrowings	5,411	2,188	600
Total financial liabilities	263,395	29,120	22,273

Company	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000
At 30 September 2013			
Borrowings	-	-	-
Payables, accrued expenses and other liabilities	423,733	-	-
Deferred charge on borrowings	-	-	-
Total financial liabilities	423,733	-	-
At 30 September 2012			
Borrowings	24,957	2,304	-
Payables, accrued expenses and other liabilities	432,975	-	-
Deferred charge on borrowings	1,517	80	-
Total financial liabilities	459,449	2,384	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Banking facilities

Bank loans and overdrafts payable at call and reviewed annually

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Amounts utilised	58,338	151,103	-	27,261
Amounts unutilised	291,554	211,675	140,045	102,179
Total available facilities	349,892	362,778	140,045	129,440

Banking facilities are secured by first legal charges and debentures over certain of the group's immovable properties and other assets. The carrying values at the end of the year of the assets subject to such charges were:

Group		Company	
2013	2012	2013	2012
Shs'000	Shs'000	Shs'000	Shs'000
2,291,529	1,864,571	1,286,517	1,187,307

Defined benefit retirement scheme obligations

The group has certain legal commitments relating to the defined benefit retirement scheme. The following factors could all serve to increase or decrease the retirement benefit scheme asset.

Future investment returns on scheme assets that are either above or below expectations.

Changes in actuarial assumptions including mortality of participating members.

Higher or lower rates of inflation and/or rising or falling bond returns rates used to discount the defined benefit obligation.

Changes in future funding contributions to the retirement benefit scheme may affect future net assets and results of operations of the participating companies.

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

A key element of capital management is to ensure that adequate funds are available for capital development.

There were no changes in the group's approach to capital management during the year.

The capital structure of the group consists of debt, bank balances and cash and equity attributable to equity holders of the parent company; comprising issued capital, share premium, reserves and retained earnings.

Gearing ratio

The group and the company had no net borrowings at the end of the reporting period.

Gearing ratios at the end of the previous year were:

	Group	**Company**
	2012	**2012**
	Shs'000	**Shs'000**
Total borrowings	151,103	27,261
Bank balances and cash	(28,301)	(6,001)
Net borrowings	122,802	21,260
Total equity	1,722,145	670,654
Net borrowings to equity ratio	7%	3%

Notes to the consolidated financial statements *(Continued)*

5. Operating segments

(a) Business segments

The group is organised into two principal business segments:

- Agriculture – cultivation of sisal, production of sisal fibre and cultivation of horticultural crops and other related services.
- Spinning – conversion of sisal fibre into yarns and twines

	Agriculture Shs'000	Spinning Shs'000	Total Shs'000
Year ended 30 September 2013			
Total sales	2,311,247	383,798	2,695,045
Inter-segment sales	(120,628)	(4,314)	(124,942)
Sales revenue	2,190,619	379,484	2,570,103
Profit from operations	607,866	45,204	653,070
Interest income	2,608	-	2,608
Interest expense	(7,550)	(136)	(7,686)
Profit before tax	602,924	45,068	647,992
Tax	(191,334)	(14,192)	(205,526)
Profit for the year	411,590	30,876	442,466
Segment assets	2,640,098	157,332	2,797,430
Segment liabilities	684,753	16,807	701,560
Capital additions	127,999	5,183	133,182
Depreciation on property, plant and equipment	97,986	4,028	102,014
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

5. Operating segments *(Continued)*

(a) Business segments *(Continued)*

	Agriculture Shs'000	Spinning Shs'000	Total Shs'000
Year ended 30 September 2012			
Total sales	2,268,583	456,858	2,725,441
Inter-segment sales	(150,021)	(3,695)	(153,716)
Sales revenue	2,118,562	453,163	2,571,725
Profit from operations	534,798	47,660	582,458
Interest income	52	-	52
Interest expense	(27,049)	(168)	(27,217)
Profit before tax	507,801	47,492	555,293
Tax	(160,205)	(14,655)	(174,860)
Profit for the year	347,596	32,837	380,433
Segment assets	2,189,817	186,901	2,376,718
Segment liabilities	627,020	27,453	654,473
Capital additions	159,309	7,102	166,411
Depreciation on property, plant and equipment	81,259	4,030	85,289
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

5. Operating segments *(Continued)*

(b) Geographical segments

The group consists of two main geographical segments:

- Kenya
- Tanzania

Year ended 30 September 2013

	Kenya	**Tanzania**	**Total**
	Shs'000	**Shs'000**	**Shs'000**
Total sales	1,532,215	1,162,830	2,695,045
Inter-segment sales	(16,165)	(108,777)	(124,942)
Sales revenue	1,516,050	1,054,053	2,570,103
Profit from operations	415,190	237,880	653,070
Interest income	2,586	22	2,608
Interest expense	(2,736)	(4,950)	(7,686)
Profit before tax	415,040	232,952	647,992
Tax	(133,244)	(72,282)	(205,526)
Profit for the year	281,796	160,670	442,466
Segment assets	1,715,496	1,081,934	2,797,430
Segment liabilities	430,557	271,003	701,560
Capital additions	55,501	77,681	133,182
Depreciation on property, plant and equipment	53,044	48,970	102,014
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

5. Operating segments *(Continued)*

(b) Geographical segments *(Continued)*

Year ended 30 September 2012

	Kenya Shs'000	**Tanzania Shs'000**	**Total Shs'000**
Total sales	1,485,702	1,239,739	2,725,441
Inter-segment sales	(19,586)	(134,130)	(153,716)
Sales revenue	1,466,116	1,105,609	2,571,725
Profit from operations	313,966	268,492	582,458
Interest income	35	17	52
Interest expense	(16,179)	(11,038)	(27,217)
Profit before tax	297,822	257,471	555,293
Tax	(95,123)	(79,737)	(174,860)
Profit for the year	202,699	177,734	380,433
Segment assets	1,329,104	1,047,614	2,376,718
Segment liabilities	358,374	296,099	654,473
Capital additions	108,446	57,965	166,411
Depreciation on property, plant and equipment	45,911	39,378	85,289
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

6. Profit before tax

		Group	
		2013 Shs'000	**2012 Shs'000**
The profit before tax is arrived at after charging /(crediting):			
Depreciation on property, plant and equipment (Note 12)		102,014	85,289
Depreciation on investment property		55	55
Operating lease payments		15,367	16,088
Staff costs (Note 7)		759,502	699,104
Auditors' remuneration	- group	8,380	7,213
	- company	2,400	2,150
Directors' emoluments	- fees	2,040	1,860
	- for management services	44,555	42,266
	Total of directors' emoluments	46,595	44,126

Directors' emoluments			
Company:	- fees	2,040	1,860
	- for management services	24,468	24,048
Total		26,508	25,908

Profit on disposal of property, plant and equipment	(9,878)	(7,100)

Profit for the year – company

The company profit for the year of Shs 175,633,000 (2012: Shs 113,170,000) has been dealt with in the separate financial statements of REA Vipingo Plantations Limited.

7. Staff cost

	2013 Shs'000	**2012 Shs'000**
Salaries and wages	652,723	604,945
National Social Security Fund	32,573	26,665
Pension contributions –defined benefit scheme charge	2,689	2,626
Pension contributions – defined contribution scheme	1,871	1,479
Gratuity and other terminal benefits	42,284	28,246
Medical	27,362	35,143
	759,502	699,104
Average number of permanent employees	3,625	3,469

Notes to the consolidated financial statements *(Continued)*

8. Finance costs

	Group	
	2013	2012
	Shs'000	Shs'000
Interest expense	7,686	27,217

9. Tax

(a) Tax charge

Current tax	132,579	123,079
Deferred tax charge (Note 22)	72,947	51,781
	205,526	174,860

The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group	
	2013	2012
	Shs'000	Shs'000
Profit before tax	647,992	555,293
Tax calculated at a tax rate of 30%	194,398	166,588
Tax effect of:		
Income not subject to tax	-	(2,918)
Expenses not deductible for tax purposes	10,928	10,711
Under/(over) provision of deferred tax in prior year	7,841	(507)
(Over)/underprovision of current tax in prior year	(7,786)	579
Deferred tax asset not recognised	145	407
Tax charge	205,526	174,860

Notes to the consolidated financial statements *(Continued)*

9. Tax *(Continued)*

(b) Tax movement

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	(23,253)	23,110	(942)	(4,335)
Current year charge	132,579	123,079	12,723	5,569
Tax paid	(66,795)	(170,053)	(5,019)	(2,176)
Translation adjustment	13	611	-	-
At end of year	42,544	(23,253)	6,762	(942)
Balances at year end				
Tax recoverable	(4,825)	(23,253)	-	(942)
Tax payable	47,369	-	6,762	-
	42,544	(23,253)	6,762	(942)

10. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	Group	
	2013	2012
Profit for the year (Shs '000)	442,466	380,433
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	7.37	6.34

There were no potentially dilutive ordinary shares outstanding at 30 September 2013 and at 30 September 2012. Diluted earnings per share are therefore the same as basic earnings per share.

11 Dividends

The directors have not yet made a recommendation regarding the payment of a dividend in respect of the year ended 30 September 2013. (2012: Shs 1.10 per share amounting to Shs 66,000,000).

Notes to the consolidated financial statements *(Continued)*

12 Property, plant and equipment

Group

Cost

	Leasehold land Sh's000	Buildings Sh's000	Plant and machinery Sh's000	Computer Software Sh's000	Work in progress Sh's000	Total Sh's000
At 1 October 2011	211,219	178,243	809,039	-	60,838	1,259,339
Additions	-	5,897	105,250	-	55,264	166,411
Transfers	-	69,754	39,701	-	(109,455)	-
Disposals	-	(325)	(6,004)	-	-	(6,329)
Assets written off	-	-	(25,233)	-	-	(25,233)
Translation adjustment	(3,033)	(7,057)	(33,988)	-	(582)	(44,660)
At 30 September 2012	208,186	246,512	888,765	-	6,065	1,349,528
At 1 October 2012	208,186	246,512	888,765	-	6,065	1,349,528
Additions	-	2,963	104,828	440	24,951	133,182
Re-allocations	-	6,127	(6,127)	-	-	-
Transfers	-	14,880	8,002	-	(22,882)	-
Disposals	-	-	(26,244)	-	-	(26,244)
Assets written off	-	-	(12,900)	-	-	(12,900)
Translation adjustment	(149)	(230)	(1,562)	-	-	(1,941)
At 30 September 2013	208,037	270,252	954,762	440	8,134	1,441,625

Notes to the consolidated financial statements *(Continued)*

12 Property, plant and equipment *(Continued)*

Group
Depreciation

	Leasehold land Sh's000	Buildings Sh's000	Plant and machinery Sh's000	Computer Software Sh's000	Work in progress Sh's000	Total Sh's000
At 1 October 2011	4,595	22,625	478,715	-	-	505,935
Charge for the year	2,469	3,986	78,834	-	-	85,289
Eliminated on disposals	-	(102)	(5,755)	-	-	(5,857)
Eliminated on write offs	-	-	(25,233)	-	-	(25,233)
Translation adjustment	(75)	(344)	(16,631)	-	-	(17,050)
At 30 September 2012	6,989	26,165	509,930	-	-	543,084
At 1 October 2012	6,989	26,165	509,930	-	-	543,084
Charge for the year	2,465	5,032	94,464	53	-	102,014
Re-allocation	-	567	(567)	-	-	-
Eliminated on disposals	-	-	(23,611)	-	-	(23,611)
Eliminated on write offs	-	-	(12,900)	-	-	(12,900)
Translation adjustment	(2)	(12)	(712)	-	-	(726)
At 30 September 2013	9,452	31,752	566,604	53	-	607,861
Net book amount						
At 30 September 2013	198,585	238,500	388,158	387	8,134	833,764
At 30 September 2012	201,197	220,347	378,835	-	6,065	806,444

Included in property, plant and equipment are assets with an original cost of Shs 281,840,699 (2012: Shs 279,084,190) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 46,724,394 (2012: Shs 48,502,365).

During the year, management carried out a review of the working condition of the group's plant and machinery. This review led to the write-off of assets whose total cost was Shs 12,900,000 (2012: 25,233,000) and had a carrying value of Shs nil (2012: nil).

Based on an impairment review performed by the directors at 30 September 2013, no further indications of impairment of property, plant and equipment were identified. (2012: none).

The group's land titles in Kenya, which were originally either freehold or leases in excess of 900 years, were converted to 99 year leases with effect from 27th August 2010. The group has yet to receive the new title deeds.

The remaining periods for the land titles in Tanzania range from 37 years to 50 years.

Notes to the consolidated financial statements *(Continued)*

12 Property, plant and equipment *(Continued)*

Company

	Leasehold land Sh's000	Buildings Sh's000	Plant and machinery Sh's000	Computer Software Sh's000	Work in progress Sh's000	Total Sh's000
Cost						
At 1 October 2011	62,557	41,090	175,238	-	294	279,179
Transfers	-	3,696	378	-	(4,074)	-
Additions	-	-	34,867	-	7,807	42,674
Disposals	-	(325)	(409)	-	-	(734)
Assets written off	-	-	(8,877)	-	-	(8,877)
At 30 September 2012	62,557	44,461	201,197	-	4,027	312,242
At October 2012	62,557	44,461	201,197	-	4,027	312,242
Transfers	-	6,541	3,416	-	(9,957)	-
Additions	-	1,128	17,860	440	13,611	33,039
Disposals	-	-	(10,080)	-	-	(10,080)
Assets written off	-	-	(4,692)	-	-	(4,692)
At 30 September 2013	62,557	52,130	207,701	440	7,681	330,509

Notes to the consolidated financial statements *(Continued)*

12 Property, plant and equipment *(Continued)*

Company

	Leasehold land Sh's000	Buildings Sh's000	Plant and machinery Sh's000	Computer Software Sh's000	Work in progress Sh's000	Total Sh's000
Depreciation						
At 1 October 2011	971	8,766	127,419	-	-	137,156
Charge for the year	632	831	15,118	-	-	16,581
Eliminated on disposals	-	(102)	(409)	-	-	(511)
Eliminated on write off	-	-	(8,877)	-	-	(8,877)
At 30 September 2012	1,603	9,495	133,251	-	-	144,349
At 1 October 2012	1,603	9,495	133,251	-	-	144,349
Charge for the year	632	927	18,817	53	-	20,429
Eliminated on disposals	-	-	(9,904)	-	-	(9,904)
Eliminated on write off	-	-	(4,692)	-	-	(4,692)
At 30 September 2013	2,235	10,422	137,472	53	-	150,182
Net book amount						
At 30 September 2013	60,322	41,708	70,229	387	7,681	180,327
At 30 September 2012	60,954	34,966	67,946	-	4,027	167,893

Included in property, plant and equipment are assets with an original cost of Shs 78,936,966 (2012:Shs 83,652,851) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 14,771,788 (2012:Shs 15,714,964)

During the year management carried out a review of the working condition of the company's plant and machinery. This review led to the write-off of assets whose total cost was Shs 4,692,000 (2012: shs 8,877,000) and had a carrying value of Shs nil (2012: shs nil).

Based on an impairment review performed by the directors as at 30 September 2013, no indications of further impairment of property, plant and equipment were identified. (2012: none).

The company's land titles, which were either freehold or leases in excess of 900 years were converted to 99 year leases with effect from 21st August 2010. The company has yet to receive the new title deeds.

Notes to the consolidated financial statements *(Continued)*

13. Biological assets

Group	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
At 1 October 2011			
Mature crops	426,487	2,305	428,792
Immature crops	173,004	1,812	174,816
	599,491	4,117	603,608
(Loss)/gain arising from changes in fair value attributable to physical changes	(191,382)	315	(191,067)
Gain arising from changes in fair value attributable to price changes	197,731	-	197,731
Gain arising from changes in fair value attributable to changes in exchange and discount rates	80,975	-	80,975
Net fair value gain/(loss)	87,324	315	87,639
Translation adjustment	(35,170)	-	(35,170)
	651,645	4,432	656,077
At 30 September 2012			
Mature crops	460,089	1,551	461,640
Immature crops	191,556	2,881	194,437
	651,645	4,432	656,077

Notes to the consolidated financial statements *(Continued)*

13. Biological assets (Continued)

Group	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
At 1 October 2012			
Mature crops	460,089	1,551	461,640
Immature crops	191,556	2,881	194,437
	651,645	4,432	656,077
Loss arising from changes in fair value attributable to physical changes	(205,173)	(4,391)	(209,564)
Gain arising from changes in fair value attributable to price changes	322,776	-	322,776
Gain arising from changes in fair value attributable to changes in exchange and discount rates	114,942	-	114,942
Net fair value gain/(loss)	232,545	(4,391)	228,154
Translation adjustment	(1,212)	-	(1,212)
	882,978	41	883,019
At 30 September 2013			
Mature crops	673,723	41	673,764
Immature crops	209,255	-	209,255
	882,978	41	883,019

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

Company

Sisal plants and nurseries

	2013 Shs'000	2012 Shs'000
Carrying amount at start of year : Immature sisal	44,216	38,470
Mature sisal	17,678	28,635
	61,894	67,105
Loss arising from changes in fair value attributable to physical changes	(1,609)	(22,889)
Gain arising from changes in fair value attributable to price changes of sisal fibre	54,883	11,610
Gain arising from changes in fair value attributable to changes in exchange and discount rates	13,909	6,068
Net fair value gain/(loss)	67,183	(5,211)
Carrying amount at end of year: Immature sisal	54,669	44,216
Mature sisal	74,408	17,678
	129,077	61,894

Biological assets are stated at fair value less estimated selling costs.

Horticultural crops at the year end comprised of baby corn, chillies, cow peas and asparagus. Baby corn is harvested after a period of approximately 12 to 14 weeks. Chillies have varied harvesting cycles depending on variety. The maximum lifespan of the plant is approximately 48 weeks. Cow peas are harvested after approximately 10 weeks over a harvesting period of approximately 4 weeks. Asparagus takes approximately 2 years to reach maturity and has a productive life of approximately 10 years.

Significant assumptions made in determining the fair value of horticultural biological assets are:

- Future production and sales estimates are based on budgets approved by the directors and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- The costs of production used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors. An assumed annual rate of inflation of 7.5% (2012:7.5%) has been incorporated for future periods beyond the initial budget period of one year where applicable.
- Current market prices are used to determine the fair value of horticultural crops.
- A discount rate of 15.0% per annum (2012: 15.0%) is applied to the anticipated net cash flows arising from the asset.

Significant assumptions made in determining the fair value of sisal biological assets are:

- Sisal plants will have an average productive life of 8 years.
- Future production and sales estimates are based on budgets approved by the directors and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- The expected market price of sisal fibre will remain constant based on the average price and exchange rates realised over a number of years.
- A discount rate of 17.5% per annum (2012: 15.0%) is applied to the anticipated net cash flows arising from the asset.
- The costs of production and point of sale costs used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors. Assumed annual rates of inflation of 11% for both Kenya and Tanzania respectively (2012: 7.5% and 10% respectively) have been incorporated for future periods beyond the initial budget period of one year.
- Based on the biological transformation which sisal plants undergo, 42% of plant fair value is assigned to the regeneration of sisal leaf.
- Costs incurred on new plantations of crops in the year approximate to their fair value.

Notes to the consolidated financial statements *(Continued)*

14. Investment property

A group company holds 6 plots in a residential development managed by an unrelated Company, Vipingo Beach Limited. Two plots are utilised within the group and are included in property, plant and equipment. The information given below relates to the remaining 4 plots which are held as investment property. The properties are held under leasehold interests. The directors consider that the titles to leasehold land held by the group constitute finance leases.

	2013 Shs'000	2012 Shs'000
Cost		
At the beginning and end of the year	4,838	4,838
Depreciation		
At the beginning of the year	219	164
Charge for the year	55	55
At end of year	274	219
Carrying value at the end of year	4,564	4,619
Fair value	29,900	19,200

The fair values are based on the latest known contract price of sales of similar plots.

Notes to the consolidated financial statements *(Continued)*

15. Investment in subsidiaries

	Company	
	2013	2012
	Sh's000	Shs'000
Shares in subsidiaries at cost	504,074	504,074
Long term receivable from subsidiary	67,348	67,712
	571,422	571,786

The subsidiary companies, which are all wholly owned and unquoted, are:

Company	Share capital Shs'000	Country of incorporation	Principal activity
Amboni Plantations Limited	Tshs 250,000	Tanzania	Cultivation of sisal and sale of sisal fibre
Amboni Spinning Mill Limited	Tshs 250,000	Tanzania	Manufacture and sale of sisal twine and yarn
Dwa Estate Limited	Kshs 2,000	Kenya	Cultivation of sisal and sale of sisal fibre; cultivation and sale of horticultural produce
Wigglesworth Exporters Limited	Kshs 1,000	Kenya	Export of sisal fibre
Vipingo Estate Limited	Kshs 10,000	Kenya	Property holding

The long term receivable is in respect of a loan due from Amboni Spinning Mill Limited. As settlement of this loan is not anticipated in the foreseeable future, it has been accounted for as part of the net investment in the subsidiary. Exchange differences on the unpaid portion of the loan are dealt with through the statement of changes in equity.

Notes to the consolidated financial statements *(Continued)*

16. Investment in unquoted shares – at cost

	Group	
	2013	2012
	Shs'000	Shs'000
	9,151	9,151

A group company owns 6 plots in a residential development managed by an unrelated company, Vipingo Beach Limited (Note 14). It is a requirement that owners of such plots should be holders of 100 shares in Vipingo Beach Limited for each plot held.

17. Inventories

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre at fair value less estimated cost of sale	199,072	225,811	49,521	60,817
Finished goods at lower of cost or net realisable value less provision	37,013	28,344	-	-
Stores and raw materials at lower of cost or net realisable value less provision	206,932	207,055	25,313	24,477
	443,017	461,210	74,834	85,294

18. Receivables and prepayments

	Group 2013	Group 2012	Company 2013	Company 2012
Trade receivables	17,568	19,355	1,046	1,240
Prepayments	24,926	21,507	3,994	3,603
Amounts due from a related party (Note 28 (iv) & (v))	195,854	174,143	63,420	55,748
Amounts due from group companies (Note 28 (v))	-	-	117,827	188,151
VAT recoverable	98,601	118,130	30,133	29,926
Other receivables	22,373	33,657	1,167	3,309
	359,322	366,792	217,587	281,977

In the opinion of the directors, the carrying values of receivables approximate to fair value.

Notes to the consolidated financial statements *(Continued)*

19. Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Cash in hand	12,745	17,157	3,794	6,001
Cash at bank				
Current accounts	83,931	11,144	22,936	-
Call deposit account	56,388	-	56,388	-
Term deposits	80,659	-	30,152	-
	220,978	11,144	109,476	-
Total cash and cash equivalents	233,723	28,301	113,270	6,001

The effective interest rates on the bank deposits at 30 September 2013 were:

Call deposit 8% p.a.
Term deposits 9.75% p.a.

All term deposits mature within a period not exceeding 90 days.

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

	Group	
	2013	2012
	Shs'000	Shs'000
Cash at bank and in hand as above	233,723	28,301
Bank overdrafts (Note 21)	-	(61,405)
Cash and cash equivalents	233,723	(33,104)

20. Share Capital

Authorised, issued and fully paid	Number of shares (Thousands)	Ordinary Shares Shs'000
Balance at 1 October 2011, 1 October 2012 and 30 September 2013	60,000	300,000

The total authorised number of ordinary shares is 60 million with a par value of Shs 5 per share. All issued shares are fully paid.

Notes to the consolidated financial statements *(Continued)*

21. Borrowings

	Group		Company
	2013 Shs'000	2012 Shs'000	2012 Shs'000
Total borrowings	58,338	151,103	27,261
Less: current portion	(29,603)	(102,498)	(24,957)
Non-current portion	28,735	48,605	2,304
The borrowings are made up as follows:			
Non-current			
Bank loans	28,735	48,605	2,304
Current			
Bank overdrafts	-	61,405	13,005
Bank loans	29,603	41,093	11,952
	29,603	102,498	24,957
Total borrowings	58,338	151,103	27,261

The company had no borrowings at the end of the reporting period.
Analysis of borrowings by currency

Group

	Borrowings in Kshs Shs'000	Borrowings in Tshs Shs'000	Borrowings in USD Shs'000	Total Shs'000
2013				
Bank overdrafts	-	-	-	-
Bank loans	-	-	58,338	58,338
	-	-	58,338	58,338
2012				
Bank overdrafts	22,423	25,880	13,102	61,405
Bank loans	20,207	-	69,491	89,698
	42,630	25,880	82,593	151,103

Company

	Borowings in Kshs Shs'000	Borowings in USD Shs'000	Total Shs'000
2012			
Bank overdrafts	3,207	9,798	13,005
Bank loans	14,256	-	14,256
	17,463	9,798	27,261

Notes to the consolidated financial statements *(Continued)*

21. Borrowings *(Continued)*

The bank overdrafts and bank loans are secured by first legal charges and debentures over certain of the group's immovable properties and other assets.

	Group		Company
	2013	2012	2012
Weighted average effective rates at the year end were:			
-bank overdrafts – Kshs	-	19.0%	19.0%
-bank loans – Kshs	-	18.65%	18.50%
-bank overdrafts – Tshs	-	13.50%	-
-bank overdrafts – US$	-	7.29%	7.25%
-bank loan – US$	6.4%	6.0%	-

	Group		Company
	2013	2012	2012
	Shs'000	Shs'000	Shs'000
Maturity of non-current loans			
Between 1 and 2 years	26,989	26,932	2,304
Between 2 and 5 years	1,746	21,673	-
	28,735	48,605	2,304

22. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2012: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	240,566	202,428	4,898	(7,438)
Tax charge recognised in profit or loss (Note 9 (a))	72,947	51,781	17,594	12,336
Translation adjustment	(472)	(13,643)	-	-
At end of year	313,041	240,566	22,492	4,898

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position.

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax assets	(3,284)	(1,891)	(35,258)	(27,511)
Deferred tax liabilities	316,325	242,457	57,750	32,409
	313,041	240,566	22,492	4,898

Notes to the consolidated financial statements *(Continued)*

22. Deferred tax *(Continued)*

Deferred tax (assets)/liabilities in the statement of financial position and deferred tax charge/(credit) in profit or loss, are attributable to the following items:

Group

	1.10.2012	Charged/ (credited) to profit or loss	Translation adjustment	30.9.2013
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	80,992	20,907	(137)	101,762
Biological assets	196,825	68,446	(364)	264,907
Acquisition of subsidiary	7,676	-	-	7,676
Post employment benefit asset	5,664	1,164	-	6,828
	291,157	90,517	(501)	381,173
Deferred tax assets				
Provisions	(50,540)	(17,621)	29	(68,132)
Tax losses carried forward	(51)	51	-	-
	(50,591)	(17,570)	29	(68,132)
Net deferred tax liability	240,566	72,947	(472)	313,041

In addition to the above, there is a further deferred income tax asset mainly attributable to tax losses carried forward amounting to Shs 1,600,000 (2012: Shs 24,054,000) relating to a subsidiary company which has not been recognised in the financial statements because, in the view of the directors, it is not certain that sufficient taxable profits will be generated in the foreseeable future against which the tax losses can be utilised. During the year, the subsidiary company forfeited trading losses of shs 75,329,000 representing a deferred tax asset of shs 22,599,000 as they were not utilised within the statutory period.

Company

	1.10.2012	Charged/(credited) to profit or loss	30.09.2013
	Shs'000	Shs'000	Shs'000
Deferred tax liabilities			
Accelerated tax depreciation	10,384	4,479	14,863
Biological assets	18,569	20,155	38,724
Post employment benefit asset	3,456	707	4,163
	32,409	25,341	57,750
Deferred tax assets			
Provisions	(27,511)	(7,747)	(35,258)
Net deferred tax liability	4,898	17,594	22,492

Notes to the consolidated financial statements *(Continued)*

23. Post employment benefit obligations/(asset)

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Post employment benefit obligations/ (asset) comprise:				
(a) Staff retirement gratuity	135,837	105,427	67,120	51,519
(b) Defined benefit scheme	(22,761)	(18,880)	(13,877)	(11,520)

(a) Staff retirement gratuity

A retirement gratuity is awarded to unionised employees after the completion of two years of service and is paid upon the termination of such services or retirement. The movement in the liability during the year is shown below:

	Group		Company	
	2013	2012	2013	2012
At start of year	105,427	92,137	51,519	45,267
Charged to profit or loss	40,828	24,544	20,780	9,358
Utilised during year	(10,321)	(9,977)	(5,179)	(3,106)
Translation adjustment	(97)	(1,277)	-	-
At end of year	135,837	105,427	67,120	51,519

(b) Defined benefit scheme

The group operates a final salary defined benefit pension scheme for certain employees. The assets of the scheme are held in a separate trustee administered fund. The pension cost to the group is assessed in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years. The next full valuation is due on 1 January 2015.

The amount recognised in the statement of financial position is determined as follows:

	Group		Company	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Present value of funded obligations	144,689	130,652	87,867	79,720
Fair value of scheme assets	(204,294)	(163,722)	(124,064)	(99,899)
Net over funding in funded plan	(59,605)	(33,070)	(36,197)	(20,179)
Unrecognised actuarial gain	36,844	14,190	22,320	8,659
Net Asset at the end of the reporting period	(22,761)	(18,880)	(13,877)	(11,520)

Notes to the consolidated financial statements *(Continued)*

23. Post employment benefit obligations/(asset) *(Continued)*

The amounts recognised in profit or loss are determined as follows:

	Group	
	2013	2012
	Shs'000	Shs'000
Current service cost net of employees' contributions	3,492	3,763
Interest on obligation	15,950	11,670
Expected return on plan assets	(16,752)	(12,807)
Net actuarial gain recognised in the year	-	-
Net charge for the year included in staff costs	2,690	2,626
Contributions paid	(6,570)	(5,982)
Movement in the liability/(asset) recognised at the end of the accounting period	(3,880)	(3,356)

The principal actuarial assumptions used were as follows:

	2013	2012
- discount rate	13%	12%
- expected rate of return on scheme assets	n.a.	10%
- future salary increases	10%	10%
- future pension increases	0%	0%

The group also contributes to a defined contribution retirement benefit scheme for certain non-unionisable employees. The group contributed Shs 1,871,000 to this scheme during the year (2012: Shs 1,479,000) which has been charged to profit or loss.

The group also makes contributions to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 September 2013, the group contributed Shs 32,573,000 (2012:Shs 26,665,000) which has been charged to profit or loss.

Notes to the consolidated financial statements *(Continued)*

24. Payables and accrued expenses

	Group		Company	
	2013	**2012**	**2013**	**2012**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Trade payables	55,475	72,508	11,122	25,189
Amounts due to a related party (Note 28 (iv) & (v))	9,351	8,455	1,248	1,397
Amounts due to group companies (Note 28 (v))	-	-	376,992	381,919
Provision for leave pay	31,604	23,866	16,098	11,218
Accrued expenses	34,298	27,195	13,960	7,642
Other payables	12,963	23,462	4,313	5,610
	143,691	155,486	423,733	432,975

In the opinion of the directors, the carrying values of payables and accrued expenses approximate to fair value.

Notes to the consolidated financial statements *(Continued)*

25. Contingent liabilities

The group companies are defendants in various legal actions relating to industrial accidents. In the opinion of the directors, the outcome of such actions will not give rise to any significant losses as appropriate insurance is in place.

26. Commitments

Capital commitments

Commitments for capital expenditure at the end of the reporting period which were not recognised in the financial statements were:

	Group		Company	
	2013	**2012**	**2013**	**2014**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Authorised and contracted for	23,395	13,352	12,981	6,700

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Not later than 1 year	4,627	5,804	3,845	4,554
Between 2 and 5 years	3,592	7,069	3,592	7,069
Over 5 years	-	-	-	-
	8,219	12,873	7,437	11,623

The lease expenditure charged to profit or loss during the year is disclosed in Note 6.

Notes to the consolidated financial statements *(Continued)*

27. Note to the consolidated statement of cash flows

	Group	
	2013	**2012**
	Shs'000	**Shs'000**
Reconciliation of profit before tax to net cash generated from operations:		
Profit before tax	647,992	555,293
Adjustments for:		
Finance costs recognised in the profit for the year	7,686	27,217
Interest income recognised in the profit for the year	(2,608)	(52)
Depreciation of property, plant and equipment (Note 12)	102,014	85,289
Depreciation of investment property (Note 14)	55	55
Fair value adjustment of biological assets (Note 13)	(228,154)	(87,639)
Profit on sale of property, plant and equipment	(9,878)	(7,100)
Operating profit before working capital changes	517,107	573,063
Working capital changes:		
- receivables and prepayments	5,837	(63,074)
- inventories	16,583	45,523
- payables and accrued expenses	(11,405)	(36,847)
- post employment benefit obligations	26,625	11,211
Net cash generated from operations	554,747	529,876

Notes to the consolidated financial statements *(Continued)*

28. Related party transactions

At the year end, companies controlled by the Robinow family and their subsidiary and associated companies owned 57% of the company's shares.

REA Trading Limited and Wigglesworth & Company Limited – UK are related parties by virtue of their connection with the Robinow family.

Sales of sisal fibre and yarns to Wigglesworth & Company Limited – UK are contracted at market prices for East African fibres and yarns.

Mr. Oliver Fowler is a partner of Kaplan & Stratton. The fees paid to that firm in respect of legal work were calculated at standard charging rates.

Mr. Stephen Waruhiu is a director of Lloyd Masika Limited. The fees paid to that company in respect of valuation services were calculated at standard charging rates.

The following transactions were carried out with related parties during the year:

(i) Sales of goods and services

	Group	
	2013 Shs'000	2012 Shs'000
Wigglesworth & Company Limited – UK		
Sale of sisal fibre and yarns	2,105,842	2,101,297
Sale of brushing machine	599	-
	2,106,441	2,101,297

(ii) Purchase of management and legal services

	2013	2012
Kaplan & Stratton	120	565
REA Trading Limited	3,498	3,323
Lloyd Masika Limited	50	-
	3,668	3,888

(iii) Key management compensation

Remuneration paid to directors and key management staff was as follows:

	2013	2012
Salaries and other short term benefits	100,190	81,811
Post employment benefits	1,126	631
	101,316	82,442

Notes to the consolidated financial statements *(Continued)*

28. Related party transactions *(Continued)*

	Group	
	2013	2012
	Shs'000	Shs'000
(iv) Outstanding balances		
Current receivables (Note 18)		
Wigglesworth & Company Limited – UK	195,854	174,143
Current payables		
Wigglesworth & Company Limited – UK - current account (Note 24)	9,351	8,455

(v) Outstanding balances	Company	
	2013	2012
	Shs'000	Shs'000
Current receivables (Note 18)		
Amounts due from group companies		
Dwa Estate Limited	114,601	130,288
Amboni Plantations Limited – current account	-	36,922
Amboni Spinning Mill Limited	-	15,136
Wigglesworth Exporters Limited	3,226	5,805
	117,827	188,151
Amount due from a related party		
Wigglesworth & Company Limited – UK	63,420	55,748
Current payables (Note 24)		
Amounts due to group companies		
Vipingo Estate Limited	376,354	381,919
Amboni Plantations Limited	638	-
	376,992	381,919
Amount due to a related party		
Wigglesworth & Company Limited – UK	1,248	1,397

The outstanding balances arise from services and goods received and rendered, temporary advances and expenses paid by related parties and group companies on behalf of each other.

Proxy Form

I/We ____

of ____

being a Member/Members of the above named company, hereby appoint ______________________

or failing him Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 23rd May 2014 and at any adjournment thereof.

Signature ______________________ Date ______________ 2014

This form is to be used* in favour of/against the resolutions. Unless otherwise instructed the proxy will vote as he thinks fit.

* Strike out whichever is not desired.

Notes:

1. To be valid this proxy must be returned to The Secretary, Rea Vipingo Plantations Limited, 1st Floor, Block D, Wilson Business Park, Wilson Airport, P.O. Box 17648, Nairobi – 00500 so as to arrive no later than 10.30 a.m. on Thursday 22nd May 2014.

2. In the case of a corporation this proxy must be under its common seal or under the hand of an officer duly authorised in writing.

First Fold

Second Fold

The Secretary
REA Vipingo Plantation Limited
P.O.Box 17648-00500
Nairobi,
Kenya

Thirld Fold and tuck in edge

First Fold