

# **REA VIPINGO PLANTATIONS LIMITED**

**Unaudited Condensed Interim Consolidated Financial Statements  
For the six months ended 31 March 2014**

REA Vipingo Plantations Limited  
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**Directors:**

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

## ***Chairman's statement***

The Kenyan estates have performed well during the first six months of the year and production, in terms of overall volume, is exactly to budget. The Tanzanian estates, however, have suffered from some operational difficulties, largely related to water supply, power and labour availability and, as a result, were 14% below budget volume.

The coastal estates of Vipingo and the Tanzanian properties have received good rainfall in April/May and are well positioned for the remainder of the financial period. Dwa has, however, not had particularly good rains and, unless there is some unseasonal rain during the middle part of the year, will become quite dry by the time of the November rains. This should not have a major effect upon volumes and quality during the remainder of this financial period but could have an impact upon production during the early part of the next financial year.

The Tanga spinning mill has been busy throughout the year so far with higher than expected volumes going into the international market. The finer qualities supplied internationally has resulted in slightly lower volumes but a better than expected return.

Turnover for the first half year was Ksh 1.31 billion, and profit before tax Ksh 192 million, some Ksh 89 million less than for the same period last year. Approximately Ksh 50 million of this is related to changes in the fair value of biological assets resulting from the application of International Accounting Standard (IAS) 41 – Agriculture.

Operating expenses have risen in both Kenya and Tanzania during the period under review.

Sisal fibre prices, which have been firm for a number of years, remain at remunerative levels and the indications are that they will remain at satisfactory levels for at least the remainder of the current financial period. Provided fibre production can be sustained at expected levels, I expect the company to continue to achieve a satisfactory level of profitability for the remainder of this financial year.

The Company has received several notifications from different parties of their intention to make a take-over offer. These culminated in two offers being served on the Company on 2<sup>nd</sup> May 2014. The take-over process has been stayed by the High Court of Kenya in proceedings brought by one of the offerors, Centum Investment Company Limited. Shareholders will be provided with further information in due course when the Company is in a position to do so.

**OLIVER FOWLER**  
**CHAIRMAN**

**Condensed consolidated statement of profit or loss and other comprehensive income**

	Notes	Six months ended 31 March	
		2014 Shs'000	2013 Shs'000
<b>Revenue</b>	4	1,310,325	1,243,925
(Loss)/gain arising from changes in fair value of biological assets		(3,614)	46,272
Cost of sales		(746,959)	(666,854)
<b>Gross Profit</b>		559,752	623,343
Interest income		7,217	4
Other operating income		6,164	10,715
Distribution costs		(46,590)	(44,763)
Administrative expenses		(326,212)	(300,553)
Other operating expenses		(3,723)	(3,733)
Finance costs	5	(1,735)	(5,347)
Foreign exchange (losses)/gains		(3,339)	1,190
<b>Profit before tax</b>	4	191,534	280,856
Tax		(67,673)	(90,104)
<b>Profit for the period</b>		123,861	190,752
Comprising:			
Profit arising from operating activities		126,391	158,362
(Loss)/gain arising from changes in fair value of biological assets		(2,530)	32,390
		123,861	190,752
<b>Other comprehensive loss for the period</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange adjustment on translation of foreign subsidiaries		(17,521)	(14,765)
Total comprehensive income for the period		106,340	175,987
Earnings per share - basic and diluted	7	Shs 2.06	Shs 3.18

## Condensed consolidated statement of financial position

	Notes	31 March 2014	30 September 2013
		Shs'000	Restated Shs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	838,464	833,764
Biological assets	9	871,498	883,019
Investment property	10	4,537	4,564
Investment in unquoted shares		9,151	9,151
Deferred tax assets		2,909	3,020
Post employment benefit assets		59,606	59,606
		<u>1,786,165</u>	<u>1,793,124</u>
<b>Current assets</b>			
Inventories		458,311	443,017
Receivables and prepayments		488,547	359,322
Tax recoverable		1,436	4,825
Bank balances and cash		224,778	233,723
		<u>1,173,072</u>	<u>1,040,887</u>
<b>Total assets</b>		<u>2,959,237</u>	<u>2,834,011</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		300,000	300,000
Share premium		84,496	84,496
Employee benefit reserve		23,447	23,447
Translation deficit		(135,365)	(117,844)
Retained earnings		1,955,424	1,831,563
		<u>2,228,002</u>	<u>2,121,662</u>
<b>Shareholders' funds</b>		<u>2,228,002</u>	<u>2,121,662</u>
<b>Non-current liabilities</b>			
Borrowings	11	12,319	28,735
Deferred tax liabilities		321,269	327,114
Post employment benefit obligations		136,054	135,837
		<u>469,642</u>	<u>491,686</u>
<b>Current liabilities</b>			
Payables and accrued expenses		175,580	143,691
Tax payable		54,674	47,369
Borrowings	11	31,339	29,603
		<u>261,593</u>	<u>220,663</u>
<b>Total equity and liabilities</b>		<u>2,959,237</u>	<u>2,834,011</u>

**Condensed consolidated statement of changes in equity**

	Share capital Shs'000	Share premium Shs'000	Employee benefit reserve Shs'000	Translation deficit Shs'000	Retained earnings			Total Shs'000
					Biological assets fair value			
					Shs'000	Other Shs'000	Total Shs'000	
<b>Balance at 1 October 2012</b>	300,000	84,496	-	(115,103)	321,422	1,131,330	1,452,752	1,722,145
Profit for the period	-	-	-	-	32,390	158,362	190,752	190,752
Other comprehensive loss for the period	-	-	-	(14,765)	-	-	-	(14,765)
Total comprehensive (loss)/income for the period	-	-	-	(14,765)	32,390	158,362	190,752	175,987
Dividend for 2012	-	-	-	-	-	(66,000)	(66,000)	(66,000)
<b>Balance at 31 March 2013</b>	300,000	84,496	-	(129,868)	353,812	1,223,692	1,577,504	1,832,132
<b>Balance at 1 October 2013 Restated</b>	300,000	84,496	23,447	(117,844)	481,129	1,350,434	1,831,563	2,121,662
(Loss)/profit for the period	-	-	-	-	(2,530)	126,391	123,861	123,861
Other comprehensive loss for the period	-	-	-	(17,521)	-	-	-	(17,521)
Total comprehensive (loss)/income for the period	-	-	-	(17,521)	(2,530)	126,391	123,861	106,340
Dividend for 2013	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2013</b>	300,000	84,496	23,447	(135,365)	478,599	1,476,825	1,955,424	2,228,002

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.

## Condensed consolidated statement of cash flows

	<b>Six months ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Cash generated from operations	123,178	226,885
Interest received	7,217	4
Interest paid	(1,735)	(5,347)
Tax paid	(59,508)	(9,747)
	<hr/>	<hr/>
Net cash generated from operating activities	69,152	211,795
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(64,225)	(73,874)
Proceeds from disposals of property, plant and equipment	632	3,134
	<hr/>	<hr/>
Net cash used in investing activities	(63,593)	(70,740)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	-	14,057
Repayment of long-term borrowings	(13,638)	(23,601)
	<hr/>	<hr/>
Net cash used in financing activities	(13,638)	(9,544)
	<hr/>	<hr/>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(8,079)</b>	<b>131,511</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Movement in cash and cash equivalents</b>		
At start of interim period	233,723	(33,104)
(Decrease)/increase	(8,079)	131,511
Effects of exchange rate changes	(866)	273
	<hr/>	<hr/>
At end of interim period	224,778	98,680
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## **Notes to the condensed interim consolidated financial statements**

### **1 General information**

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

1<sup>st</sup> 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 subsidiary companies, which are wholly owned and unquoted and whose results for the period are included in these condensed interim consolidated financial statements are:

<b>Company</b>	<b>Country of incorporation</b>	<b>Principal activity</b>
Amboni Plantation Limited	Tanzania	Cultivation of sisal and sale of sisal fibre
Amboni Spinning Mill Limited	Tanzania	Manufacture and sale of sisal twine and yarn
Dwa Estate Limited	Kenya	Cultivation of sisal and sale of sisal fibre; cultivation and sale of agricultural produce.
Wigglesworth Exporters Limited	Kenya	Export of sisal fibre
Vipingo Estate Limited	Kenya	Property holding

### **2 Basis of preparation**

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2013 annual financial statements.



## **Notes to the condensed interim consolidated financial statements (continued)**

### **3. Significant accounting policies**

The condensed interim financial statements have been prepared under the historical cost convention except where otherwise stated.

The group has adopted the amendments to IAS 19 –Employee Benefits (2011), as described below. With this exception, the same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the annual financial statements for the year ended 30<sup>th</sup> September 2013.

As stated above, the group has, in the current financial year, adopted the amendments to IAS 19-Employee Benefits (2011). The most significant amendment to this standard requires the immediate recognition of re-measurement of post employment obligations and assets in other comprehensive income. The amendments to this standard are to be applied retrospectively and therefore the consolidated statement of financial position at 30 September 2013 has been restated in conformity with the revised standard.

The effects of the restatement	<b>Shs'000</b>
Increase in post employment benefit asset	36,845
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Increase in employee benefit reserve	23,447
Increase in retained earnings	2,345
Increase in provision for deferred tax	11,053
	<hr/>
	36,845
	<hr/>

IAS-34 Interim Financial Reporting does not require the presentation of statements of financial position for earlier periods.

These financial statements are presented in Kenya Shillings Thousands (Shs'000).

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Income tax expense is recognised based on the estimate of the weighted average income tax rate expected for the full financial year. The estimated average annual tax used for 2014 is 30% (the estimated tax rate used for the first half year of 2013 was 30%).

**4 Segment information**

	<b>Agriculture Shs'000</b>	<b>Spinning Shs'000</b>	<b>Total Shs'000</b>
<b>Six months ended 31 March 2014</b>			
Total sales	1,213,558	174,979	1,388,537
Inter-segment sales	(76,957)	(1,255)	(78,212)
	<hr/>	<hr/>	<hr/>
Sales revenue	1,136,601	173,724	1,310,325
	<hr/>	<hr/>	<hr/>
Profit before tax	178,873	12,661	191,534
	<hr/>	<hr/>	<hr/>
Segment assets	2,734,733	224,504	2,959,237
	<hr/>	<hr/>	<hr/>
Segment liabilities	699,986	31,249	731,235
	<hr/>	<hr/>	<hr/>
<b>Six months ended 31 March 2013</b>			
Total sales	1,122,695	181,324	1,304,019
Inter-segment sales	(58,040)	(2,054)	(60,094)
	<hr/>	<hr/>	<hr/>
Sales revenue	1,064,655	179,270	1,243,925
	<hr/>	<hr/>	<hr/>
Profit before tax	263,994	16,862	280,856
	<hr/>	<hr/>	<hr/>
Segment assets	2,350,690	183,253	2,533,943
	<hr/>	<hr/>	<hr/>
Segment liabilities	674,123	27,688	701,811
	<hr/>	<hr/>	<hr/>

**Notes to the condensed interim financial statements (continued)**

**5 Finance costs**

	<b>Six months ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Interest expense	1,735	5,347
	<hr/>	<hr/>

**6 Dividend**

No dividend is currently proposed in respect of the half year to 31 March 2014 (2013:nil).

**7 Earnings per share**

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period (2014 and 2013:60,000,000).

There were no potentially dilutive shares outstanding at 31 March 2014 or 31 March 2013.

**8 Capital expenditure and commitments**

**Property, plant  
and equipment  
Shs'000**

**Six months ended 31 March 2014**

Net book amount at start of period	833,764
Additions	64,225
Disposals at net book amount	(188)
Translation adjustment	(5,993)
Depreciation for the period	(53,344)
	<hr/>
Net book amount at end of period	838,464
	<hr/> <hr/>
Capital commitments at 31 March 2014	23,395
	<hr/>

**Notes to the condensed interim consolidated financial statements (continued)**

<b>9 Biological assets</b>	<b>Sisal plants and nurseries Shs'000</b>	<b>Horticultural crops Shs'000</b>	<b>Total Shs'000</b>
<b>Six months ended 31 March 2014</b>			
Carrying amount at start of period			
Immature crops	209,255	-	209,255
Mature crops	673,723	41	673,764
	<hr/>	<hr/>	<hr/>
Total	882,978	41	883,019
	<hr/>	<hr/>	<hr/>
(Loss)/gain arising from changes in fair value attributable to physical changes	(36,621)	77	(36,544)
Gain arising from changes in fair value attributable to price changes	75,538	-	75,538
Loss arising from changes in fair value attributable to changes in exchange rate	(42,608)	-	(42,608)
	<hr/>	<hr/>	<hr/>
Net fair value (loss)/gain	(3,691)	77	(3,614)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Translation adjustment	(7,907)	-	(7,907)
	<hr/>	<hr/>	<hr/>
Carrying amount at end of period	871,380	118	871,498
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Immature crops	302,365	-	302,365
Mature crops	569,015	118	569,133
	<hr/>	<hr/>	<hr/>
Total	871,380	118	871,498
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The assumptions made in determining the fair value of biological assets remain unchanged from those made in respect of the year to 30<sup>th</sup> September 2013.

**10 Investment property**

<b>Six months ended 31 March 2014</b>		<b>Shs'000</b>
Net book amount at start of period		4,564
Depreciation for the period		(27)
		<hr/>
Net book amount at end of period		4,537
		<hr/> <hr/>

**Notes to the condensed interim consolidated financial statements (continued)**

11	<b>31 March 2014 Shs'000</b>	<b>30 September 2013 Shs'000</b>
<b>Borrowings</b>		
Total borrowings	43,658	58,338
Less: current portion	(31,339)	(29,603)
	<hr/>	<hr/>
Non-current portion	12,319	28,735
	<hr/>	<hr/>
<b>Non-current</b>		
Bank loans	12,319	28,375
	<hr/>	<hr/>
<b>Current</b>		
Bank loans	31,339	29,603
	<hr/>	<hr/>
Total borrowings	43,658	58,338
	<hr/>	<hr/>

12 **Issued Capital**

Issued and fully paid capital at the end of the period was 60 million ordinary shares with a par value of shs 5 per share. There were no movements in the issued capital of the company in either the current or the prior interim reporting periods.

13 **Related party transactions**

During the six months ended 31 March, the following transactions were carried out with related parties:

	<b>2014 Shs'000</b>	<b>2013 Shs'000</b>
i) <b>Sales of goods and services</b>		
Wigglesworth & Company Limited		
Sales of sisal fibre and yarns at market prices	1,110,245	1,015,112
Sale of machinery	-	599
	<hr/>	<hr/>
	1,110,245	1,015,711
	<hr/>	<hr/>

**Notes to the consolidated condensed financial statements (continued)**

13 **Related party transactions (continued)**

	<b>2014</b> <b>Shs'000</b>	<b>2013</b> <b>Shs'000</b>
ii) Purchase of management and legal services		
Kaplan & Stratton	63	120
REA Trading Limited	3,458	3,498
	<hr/>	<hr/>
	3,521	3,618
	<hr/>	<hr/>
iii) Key management compensation Remuneration paid to directors and key management staff:		
Salaries and other short term benefits	51,824	52,583
Post employment benefits	583	552
	<hr/>	<hr/>
	52,407	53,135
	<hr/>	<hr/>
iv) Outstanding balances		
	<b>31 March</b> <b>2014</b> <b>Shs'000</b>	<b>30 September</b> <b>2013</b> <b>Shs'000</b>
Current receivables		
Wigglesworth & Company Limited	287,726	211,067
	<hr/>	<hr/>
Current payables		
Wigglesworth & Company Limited	10,217	8,816
	<hr/>	<hr/>

14 Approval of interim statements

The interim financial statements were approved by the board of directors on 29 May 2014.