

REA VIPINGO PLANTATIONS LIMITED

**Unaudited Condensed Interim Consolidated Financial Statements
For the six months ended 31 March 2015**

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 group has had an excellent start to the year with all estates producing to, or ahead of, expectations. Overall production for the first half of the financial year was three percent ahead of budget.

The Tanga spinning mill has been busy throughout the period with a good mix of orders from the international and regional markets at prices that have enabled the mill to produce a good contribution.

Both the Kenyan and Tanzanian shillings have weakened, in the case of Tanzania quite materially, against the United States dollar, the currency in which we trade, and sisal fibre prices have continued to rise. The combination of higher volumes, good exchange rates and higher than expected dollar sales prices has resulted in turnover for the first half of the year increasing to Ksh 1.74 billion. Profit before tax for the period is Ksh 761 million including a 'theoretical' gain of Ksh 176 million arising from the valuation of biological assets as required under International Accounting Standard IAS 41 – Agriculture.

The coastal estates have received good rainfall in April/May and are well positioned for the remainder of the year. Dwa, however, has not had very much rain but did benefit from several showers in early May and has a reasonable leaf position.

Sisal fibre prices, which have been firm for a number of years, have risen quite materially in the past six months or so and have now reached a level that is facing some resistance in certain key markets. The potential for further increases in price are now more remote.

Fibre production during the second half of the year will not be as strong as we had during the first half. Operations on our Tanzanian estates were disrupted in April and May by heavy rains and we have a lot of young leaf to cut, which has a lower fibre content than more mature leaf, during the remainder of the year. As a consequence of expected weaker volumes during the remainder of the financial period, coupled with higher wage and general costs, the profit for the second half of the year is likely to be more modest.

Shareholders will be aware that the offer from REA Trading Limited to buy out the minority shareholders is presently open and will shortly reach a conclusion. Additionally, shareholders approved at the Extraordinary General Meeting on 28th April, the sale of our subsidiary, Vipingo Estate Limited and the land at Vipingo to Centum Investment Company Limited. As part of the agreements to sell the land at Vipingo, and the subsidiary, the company will lease back the Vipingo land and continue to operate the estate.

OLIVER FOWLER
CHAIRMAN

Condensed consolidated statement of profit or loss and other comprehensive income

	Notes	Six months ended 31 March	
		2015 Shs'000	2014 Shs'000
Revenue	4	1,742,308	1,310,325
Gain /(loss) arising from changes in fair value of biological assets		175,643	(3,614)
Cost of sales		(798,971)	(746,959)
Gross Profit		1,118,980	559,752
Interest income		14,533	7,217
Other operating income		3,184	6,164
Distribution costs		(52,003)	(46,590)
Administrative expenses		(349,839)	(326,212)
Other operating expenses		(7,293)	(3,723)
Finance costs	5	(445)	(1,735)
Foreign exchange gains / (losses)		34,134	(3,339)
Profit before tax	4	761,251	191,534
Tax		(238,598)	(67,673)
Profit for the period		522,653	123,861
Comprising:			
Profit arising from operating activities		399,703	126,391
Gain / (loss) arising from changes in fair value of biological assets		122,950	(2,530)
		522,653	123,861
Other comprehensive loss for the period			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange adjustment on translation of foreign subsidiaries		(64,135)	(17,521)
Total comprehensive income for the period		458,518	106,340
Earnings per share - basic and diluted	7	Shs 8.71	Shs 2.06

Condensed consolidated statement of financial position

	Notes	31 March 2015	30 September 2014
		Shs'000	Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	903,282	847,448
Biological assets	9	1,096,440	951,834
Investment property	10	4,482	4,509
Investment in unquoted shares		9,151	9,151
Deferred tax assets		3,497	3,681
Post employment benefit assets		98,190	98,190
		<u>2,115,042</u>	<u>1,914,813</u>
Current assets			
Inventories		522,917	493,872
Receivables and prepayments		501,332	536,194
Tax recoverable		888	16,736
Bank balances and cash		661,363	241,516
		<u>1,686,500</u>	<u>1,288,318</u>
Total assets		<u>3,801,542</u>	<u>3,203,131</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		300,000	300,000
Share premium		84,496	84,496
Translation deficit		(189,510)	(125,375)
Retained earnings		2,747,505	2,224,852
Shareholders' funds		<u>2,942,491</u>	<u>2,483,973</u>
Non-current liabilities			
Deferred tax liabilities		396,665	356,294
Post employment benefit obligations		159,454	164,813
		<u>556,119</u>	<u>521,107</u>
Current liabilities			
Payables and accrued expenses		149,645	164,156
Tax payable		153,287	4,288
Borrowings	11	-	29,607
		<u>302,932</u>	<u>198,051</u>
Total equity and liabilities		<u>3,801,542</u>	<u>3,203,131</u>

Condensed consolidated statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Translation deficit Shs'000	Retained earnings				Total Shs'000
				Employee benefit reserve	Biological assets fair value Shs'000	Other Shs'000	Total Shs'000	
Balance at 1 October 2013 Restated	300,000	84,496	(117,844)	23,447	481,129	1,350,434	1,855,010	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	300,000	84,496	(17,521)	-	(2,530)	126,391	123,861	106,340
Dividend for 2013	-	-	-	-	-	-	-	-
Balance at 31 March 2014	300,000	84,496	(135,365)	23,447	478,599	1,476,825	1,978,871	2,228,002
Balance at 1 October 2014	300,000	84,496	(125,375)	42,360	531,599	1,650,893	2,224,852	2,483,973
Profit for the period	-	-	-	-	122,950	399,703	522,653	522,653
Other comprehensive loss for the period	-	-	(64,135)	-	-	-	-	(64,135)
Total comprehensive (loss)/income for the period	-	-	(64,135)	-	122,950	399,703	522,653	458,518
Balance at 31 March 2015	300,000	84,496	(189,510)	42,360	654,549	2,050,596	2,747,505	2,942,491

Condensed consolidated statement of cash flows

	Six months ended 31 March	
	2015	2014
	Shs'000	Shs'000
Cash generated from operations	590,747	123,178
Interest received	14,533	7,217
Interest paid	(445)	(1,735)
Tax paid	(20,330)	(59,508)
	<hr/>	<hr/>
Net cash generated from operating activities	584,505	69,152
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(139,335)	(64,225)
Proceeds from disposals of property, plant and equipment	9,825	632
	<hr/>	<hr/>
Net cash used in investing activities	(129,510)	(63,593)
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of long-term borrowings	(28,586)	(13,638)
	<hr/>	<hr/>
Net cash used in financing activities	(28,586)	(13,638)
	<hr/>	<hr/>
Increase /(decrease) in cash and cash equivalents	426,409	(8,079)
	<hr/> <hr/>	<hr/> <hr/>
Movement in cash and cash equivalents		
At start of interim period	241,516	233,723
Increase/(decrease)	426,409	(8,079)
Effects of exchange rate changes	(6,562)	(866)
	<hr/>	<hr/>
At end of interim period	661,363	224,778
	<hr/> <hr/>	<hr/> <hr/>

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:

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 subsidiary companies, which are wholly owned and unquoted and whose results for the period are included in these condensed interim consolidated financial statements are:

Company	Country of incorporation	Principal activity
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 2014 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.

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 2015 is 30% (the estimated tax rate used for the first half year of 2014 was 30%).

4 Segment information

	Agriculture Shs'000	Spinning Shs'000	Total Shs'000
Six months ended 31 March 2015			
Total sales	1,617,447	262,238	1,879,685
Inter-segment sales	(135,327)	(2,050)	(137,377)
	<hr/>	<hr/>	<hr/>
Sales revenue	1,482,120	260,188	1,742,308
	<hr/>	<hr/>	<hr/>
Profit before tax	717,744	43,507	761,251
	<hr/>	<hr/>	<hr/>
Segment assets	3,640,418	161,124	3,801,542
	<hr/>	<hr/>	<hr/>
Segment liabilities	824,447	34,604	859,051
	<hr/>	<hr/>	<hr/>
Six months ended 31 March 2014			
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/>

Notes to the condensed interim financial statements (continued)

5 Finance costs

	Six months ended 31 March	
	2015	2014
	Shs'000	Shs'000
Interest expense	445	1,735
	<hr/>	<hr/>

6 Dividend

No dividend is currently proposed in respect of the half year to 31 March 2015 (2014: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: 60,000,000).

There were no potentially dilutive shares outstanding at 31 March 2015 or 31 March 2014.

8 Capital expenditure and commitments

	Property, plant and equipment Shs'000
Six months ended 31 March 2015	
Net book amount at start of period	847,448
Additions	139,335
Disposals at net book amount	(4,921)
Translation adjustment	(17,696)
Depreciation for the period	(60,884)
	<hr/>
Net book amount at end of period	903,282
	<hr/> <hr/>
Capital commitments at 31 March 2015	18,383
	<hr/> <hr/>

Notes to the condensed interim consolidated financial statements (continued)

9 Biological assets	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
Six months ended 31 March 2015			
Carrying amount at start of period			
Immature crops	212,141	-	212,141
Mature crops	737,010	2,683	739,693
	<hr/>	<hr/>	<hr/>
Total	949,151	2,683	951,834
	<hr/>	<hr/>	<hr/>
Loss arising from changes in fair value attributable to physical changes	(105,778)	(902)	(106,680)
Gain arising from changes in fair value attributable to price changes	174,784	-	174,784
Gain arising from changes in fair value attributable to changes in exchange rate	107,539	-	107,539
	<hr/>	<hr/>	<hr/>
Net fair value gain / (loss)	176,545	(902)	175,643
	<hr/>	<hr/>	<hr/>
Translation adjustment	(31,037)	-	(31,037)
	<hr/>	<hr/>	<hr/>
Carrying amount at end of period	1,094,659	1,781	1,096,440
	<hr/>	<hr/>	<hr/>
Immature crops	283,396	-	283,396
Mature crops	811,263	1,781	813,044
	<hr/>	<hr/>	<hr/>
Total	1,094,659	1,781	1,096,440
	<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 30th September 2014.

10 Investment property

Six months ended 31 March 2015	Shs'000
Net book amount at start of period	4,509
Depreciation for the period	(27)
	<hr/>
Net book amount at end of period	4,482
	<hr/>

Notes to the condensed interim consolidated financial statements (continued)

11	31 March 2015 Shs'000	30 September 2014 Shs'000
Borrowings		
Total borrowings	-	29,607
Less: current portion	-	(29,607)
	-----	-----
Non-current portion	-	-
	-----	-----
Non-current		
Bank loans	-	-
	=====	=====
Current		
Bank loans	-	29,607
	-----	-----
Total borrowings	-	29,607
	=====	=====

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:

	Six Months ended 31 March	
	2015 Shs'000	2014 Shs'000
i) Sales of goods and services		
Wigglesworth & Company Limited		
Sales of sisal fibre and yarns at market prices	1,448,968	1,110,245
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Notes to the consolidated condensed financial statements (continued)

13 **Related party transactions (continued)**

		Six Months ended 31 March	
		2015	2014
		Shs'000	Shs'000
ii)	Purchase of management and legal services		
	Kaplan & Stratton	3,504	63
	REA Trading Limited	3,667	3,458
		<hr/>	<hr/>
		7,171	3,521
		<hr/>	<hr/>
iii)	Key management compensation Remuneration paid to directors and key management staff:		
	Salaries and other short term benefits	50,943	51,824
	Post employment benefits	600	583
		<hr/>	<hr/>
		51,543	52,407
		<hr/>	<hr/>
iv)	Outstanding balances		
		31 March	30 September
		2015	2014
		Shs'000	Shs'000
	Current receivables		
	Wigglesworth & Company Limited	667,654	298,047
		<hr/>	<hr/>
	Current payables		
	Wigglesworth & Company Limited	11,288	11,017
		<hr/>	<hr/>

14 Approval of interim statements

The interim financial statements were approved by the board of directors on 21 May 2015.