



REA VIPINGO PLANTATIONS



20
23

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2023



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Company Information

The directors of the company are as follows:

Oliver Fowler

Neil Cuthbert

Richard Robinow

Stephen Waruhiu

Brown Ondego

Company Secretary

I. R. Hodson - Resigned 31st October 2023
Certified Public Secretary (Kenya)

Grace Kambuni - Appointed 31st October 2023
Certified Public Secretary (Kenya)
Advocate of the High Court of Kenya
P.O. Box 17648 - 00500, Nairobi

Registered office

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

Registrars and transfer office

Custody and Registrars Services Limited
IKM Place, Tower B, 1st Floor
5th Ngong Avenue
P.O. Box 8484 – 00100, Nairobi

Independent auditors

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

Principal Bankers

NCBA Bank Kenya Plc
Upper Hill
P.O. Box 30437 - 00100,
Nairobi

I & M Bank Limited
Eldama Park
P.O Box 30238 – 00100,
Nairobi

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 – 00100,
Nairobi



Notice of the Annual General Meeting

Notice is hereby given that the Twenty Ninth Annual General Meeting of the Shareholders of REA Vipingo Plantations Limited will be held via electronic means on Wednesday, 27th March 2024 at 11.00 a.m. for the following purposes:

Ordinary Business

1. Constitution of the Meeting and confirmation of a Quorum.
2. To receive and consider, and if thought fit, adopt the company's annual report and financial statements for the year ended 30 September 2023 together with the Auditor's Report thereon.
3. To confirm the payment of an interim dividend amounting to Shs 2.00 per share (40%) and to confirm the recommendation of the directors that no final dividend be paid in respect of the year ended 30th September 2023.
4. To elect directors in accordance with the company's Articles of Association.

Director retiring by rotation

Mr. Stephen Waruhui retires by rotation and being eligible, offers himself for re-election in accordance with Article 82 (c) of the Articles of Association.

Mr. Brown Ondego retires by rotation and being eligible, offers himself for re-election in accordance with Article 82 (c) of the Articles of Association.

5. To approve the directors' remuneration for the year ending 30 September 2024.
6. To note that Deloitte & Touche LLP will continue in office as auditors of the company in accordance with the provisions of section 721 (2) of the Kenyan Companies Act, 2015 and to authorize the directors to fix the auditor's remuneration for the ensuing financial year in accordance with section 724 (1) of the Kenyan Companies Act, 2015.

Special Resolution

7. To approve the amendment of the Memorandum & Articles of Association of the Company in line with the provisions of the Companies Act, 2015 and the enabling regulations.

BY ORDER OF THE BOARD

Grace Kambuni
Company Secretary
P.O. Box 17648 - 00500,
Nairobi.

5 February 2024

Notes

1. The Annual General Meeting will be held by electronic means in accordance with the provisions of the Companies Act, 2015 as amended by the Business Laws (Amendment) (No.2) Act, 2021.
2. Shareholders wishing to participate in the meeting should register for the AGM online at <https://digital.candrgroup.co.ke> or via a link to the AGM Platform that will be sent to them via SMS and/or email. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their Share Account Number at hand. For assistance shareholders should dial the following helpline number: +254 20 8690360 from 8:00 a.m. to 4:00 p.m. from Monday to Friday or email digital@candrgroup.co.ke during the registration open period.
3. Registration for the AGM opens on 20th March 2024 at 08:00 a.m. and closes on 26th March 2024 at 11:00 a.m. Shareholders will not be able to register after 26th March 2024 at 11:00 a.m.
4. In accordance with Section 283(2)(c) of the Companies Act, 2015, the following documents may be viewed on the Company's website at <https://reavipingo.com>
 - (i) a copy of this Notice and the proxy form;
 - (ii) the Company's Integrated Report and Audited Financial Statements for the year 2023.
5. Shareholders can access the Virtual AGM via a link to the AGM Platform or using their log in credentials via <https://digital.candrgroup.co.ke> to view the livestream and vote and ask questions.
6. Shareholders wishing to raise any questions for the AGM may do prior to the AGM (during the registration open period) or during the AGM by:

During the AGM

- (i) Accessing Virtual AGM via a link to the AGM Platform or via <https://digital.candrgroup.co.ke>; Select *Attend Event*; Select "REA VIPINGO AGM" in the profile account; Select *Q&A* option tab on the live stream display section and submit questions in text box provided; or

Prior to the AGM

- (ii) Follow the process as above; or
 - (iii) Sending their written questions by email to digital@candrgroup.co.ke; or
 - (iv) Physically delivering their written questions with a return physical address or email address to the registered office of the Company at 1st Floor Block D, Wilson Business Park, Wilson Airport, Nairobi; or
 - (v) Sending their written questions with a return physical address or email address by registered post to the Company's address at P. O. Box 17648-00500 Nairobi.
 - Shareholders sending questions by email or delivering to the Company must provide their full details (full names, Shares Account Number) when submitting their questions and clarifications. Also attach a copy of your ID/Passport.
 - All written questions and clarification must reach the Company on or before 26th March 2024 at 11:00 am.
 - Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 24 hours before the start of the general meeting.
 - A full list of all questions received and the answers thereto will be published on the Company's website not later than 3 days after the end of the general meeting.
7. Shareholders wishing to vote may do so prior to the AGM (during the registration open period) or during the AGM by:

Prior to AGM

- (i) Shareholders accessing Virtual AGM via a link to the AGM Platform or via <https://digital.candrgroup.co.ke> platform; Select *Attend Event*; Select "REA VIPINGO AGM" in the profile account; Select *Voting Matters* option tab on the live stream display section and vote on each resolution using the drop down menu; or

During AGM

- (ii) Follow the process as above

8. In accordance with section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a wi-fi enabled device.

A proxy form is attached to this Notice and is available on the Company's website via this link: <https://reavipingo.com>. Physical copies of the proxy form are also available at the following address:
Custody & Registrars, 1st Floor, Tower B, IKM Place, 5th Ngong Avenue, Nairobi.

A proxy form must be signed by the appointor or his attorney duly authorized in writing. If the appointor is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to proxy@candrgroup.co.ke or delivered to Custody & Registrars offices at 1st Floor, Tower B, IKM Place, 5th Ngong Avenue, Nairobi, so as to be received not later than Monday 25th March 2024 at 11.00 a.m. Any shareholder appointing a proxy must provide the phone number and e-mail address of the proxy on the proxy form. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Tuesday 26th March 2024 at 11:00 am to allow time to address any issues prior to the AGM.

9. All proxies will be contacted and guided on how to access the AGM Platform. For further assistance, Proxies may call the following helpline number: (+254) 20 8690360 from 8:00 a.m. to 4:00 p.m. from Monday to Friday during the registration open period.
10. The AGM will be streamed live via the C&R Digital Services platform. Duly registered shareholders and proxies will receive a short message service (SMS/USDD) prompt on their registered mobile numbers or email two hours ahead of the AGM reminding them that the AGM will begin in two hours time.
11. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform. Duly registered shareholders and proxies may vote (when prompted by the Chairman) for resolutions on the Voting Matters tab on the live stream display screen.
12. Results of the AGM shall be published 24 hours following the conclusion of the AGM.
13. The preferred method of paying dividends which are below Kshs 300,000.00 is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends via M-PESA by dialling *483*038# or contacting the Share Registrar, Custody & Registrars Services Limited.
14. All present and former shareholders of the Company are hereby notified that pursuant to the provisions of the Unclaimed Financial Assets Act No 40 of 2011 Parts II and III, dividends and shares which have not been claimed for a period of three (3) years or more will require to be delivered to the Unclaimed Financial Assets Authority (the Authority) as abandoned assets on the appointed date. Therefore, all shareholders with previous unpaid dividends are requested to urgently contact the Share Registrar, Custody & Registrars Services Limited at IKM Place, Tower B, 1st Floor 5th Ngong Avenue, Nairobi; Tel: Mobile 020 7608216 Email: info@candrgroup.co.ke to claim any unpaid dividends to avert the risk of the dividends being forwarded to the Authority.



Chairman's Statement

During the course of the year we experienced a gradual reduction in sisal fibre prices but were fortunate that the depreciation in the value of the Kenya Shilling, and a slightly better overall volume of fibre produced, enabled us to increase turnover by 22% to shs 4.43 billion. Profit before tax was maintained at almost the same level as the previous year at shs 762 million (2022 - shs 768 million). Given the deteriorating sisal market, the result was very satisfactory.

During the first half of the year, the coastal estates suffered from below average rainfall and indeed Vipingo estate experienced a total failure of the "short" November rains and by the end of March was operating at less than 66% of capacity. Fortunately, Dwa had a very strong start to the year and the Tanzanian estates managed to generally maintain reasonable production levels. From April through until the end of the financial period, Vipingo and the Tanzanian estates received good well distributed rainfall and produced good volumes and improved grades. Overall group fibre production increased for the year by 2.28% to 17,114 tonnes.

The Tanga spinning mill again had a difficult year but sales were maintained at previous levels with 1,230 tonnes sold. Sales in the regional markets declined further but sales into the global market improved. The relative strength of the Tanzanian shilling to other East African currencies, particularly the Kenya shilling, has been unhelpful.

The Dwa horticulture section had a good year with the seasonal seed business producing a very worthwhile return. Baby corn continues to be produced throughout the year and provides a contribution to the section.

The commissioning of the Dwa biomass energy generating plant, which was delayed by the well published problems at Kenya Power and Lighting Company Plc (KPLC), and the resultant moratorium placed on operationalising new Power Purchase Agreements (PPAs), was further delayed. During the year, however, some progress was made and a new PPA is now agreed with KPLC and is awaiting regulatory approval. We expect that the plant will be brought into operation during the course of the current financial year.

Vipingo estate continues, following the sale and lease back of land some years ago, to operate normally and some 137 hectares of new sisal was planted during the year. Inevitably as the owners of the land, Centum Investment Company Limited, develop and sell land, the areas available to the group for replanting in the future will diminish and fibre production will, as expected, reduce over time.

As mentioned above, the sisal fibre market became more difficult during the course of 2022/2023 with the result that prices declined from what were historically high levels. This trend has continued since the financial year end and today we are faced with a difficult market environment and have experienced further material reductions in prices. The unstable situation in the middle east has disrupted to some extent markets in that area and parts of North Africa, and the recent disruptions to shipping in the Red Sea has resulted in increased shipping costs. The continued weakening of the Kenya Shilling against the United States dollar, the currency in which we sell, has provided some protection but overall we are experiencing materially lower income levels. Recent increases in employment and indirect taxes in Kenya, together with increased fuel, electricity and other operational costs, means that we are operating in a very challenging environment and profitability this year is likely to be, at best, marginal.

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

Oliver Fowler
Chairman

5 February 2024



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 2023, in accordance with Section 653 (i) of the Kenyan Companies Act, 2015, 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, 2015 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 provision of sisal warehousing and export services.

Results

The results of the group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 11-12.

Business Review

Overall the group had a very good year with profit before tax almost the same as the previous year at shs 762 million. Total sisal fibre production was 2.28% higher than 2022 at 17,114 tonnes.

The group was well sold throughout most of the year at very satisfactory prices and benefited in Kenya from a weaker shilling that depreciated by over 20% during the year.

Information restating to the individual operating units is given below. Areas are given as at 30 September 2023 and crops are stated for the whole year ended on that date and referred to as the 2023 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 8,957 hectares made up as follows:

	Hectares
Mature sisal	4,434
Older sisal	369
Immature sisal	1,653
Nurseries	116
Other areas	2,334
Horticulture	51
	8,957
	8,957

Overall rainfall at Dwa during the year was again below average but distribution was better than the previous year and, as a result, production increased by 409 tonnes to 6,635 tonnes (2022: 6,226 tonnes). The quality of fibre produced also improved to some extent.

The majority of the annual replant at Dwa is carried out, prior to the November rains, which are historically the more reliable in the area and, during 2023, some 550 hectares of new sisal was planted. It is intended that going forward Dwa will continue to replant at around this level.

The rains during November and December 2023 have been good and, providing that the estate receives some reasonable rainfall in April, should meet its production targets during the current year.

Horticulture

The Dwa horticulture activities are based around two centres, a pivot irrigation system on the main estate close to the sisal factory and around 300 acres of leased land on the Athi River, near to the estate.

The horticulture section was developed around the production of baby corn which is sold to some of the large export-based horticulture producers. In recent years Dwa has also successfully developed a seed production business which had a good season and produced a good contribution. This forms the back-bone of Dwa's non-sisal agricultural activities.



Report of the Directors (continued)

Business Review (continued)

Dwa (continued)

Biomass Energy Generation

The biomass power generation plant, whose construction commenced several years ago, has been ready for commissioning for some time but, due to the well published problems that Kenya Power and Lighting Company Plc (KPLC) has had, and the subsequent moratorium placed on the signing of new and delayed Power Purchase Agreements (PPA) by KPLC with new Independent Power Producers like ourselves, the commissioning of the plant was further delayed. A PPA is now agreed and it is expected that the plant will be operational during the course of the current year.

Vipingo

The Vipingo estate is situated on the Kenya coast, some 30 kilometres north of Mombasa.

The original land holding was 4,279 hectares. In accordance with the agreement entered into with Centum Investment Company Limited in 2015, 337 hectares has subsequently been surrendered. The remaining 3,942 hectares of land, which is leased from Centum Investment Company Limited, is utilised as follows:

	Hectares
Mature sisal	1,792
Older sisal	720
Immature sisal	523
Nurseries	49
Other areas	858
	3,942

The first half of the financial period was very dry at Vipingo but, from April, the estate benefited from good rainfall and was able to produce good volumes of good quality fibre. Total fibre production for the year was 3,631 tonnes (2022: 3,728 tonnes).

A total of 137 hectares of new sisal was planted during the year.

Rainfall since the start of the new financial period has been good with a particularly wet November.

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 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 15,330 hectares made up as follows:

	Hectares
Mature sisal	3,804
Older sisal	1,094
Immature sisal	1,783
Nurseries	127
Other areas	8,522
	15,330

Like Vipingo, the Tanzanian estates are located on the coastal strip and also benefited from a good distribution of rainfall, particularly during the second half of the year. A total of 6,848 tonnes of fibre was produced (2022: 6,778 tonnes).

Replanting in Tanzania is largely carried out prior to the April rains and in 2023 a total area of 635 hectares were planted, more than recent years.

Rainfall since the start of the new financial period has been very good and the leaf position overall remains good and production is expected to pick up during the second half of current year.



Report of the Directors (continued)

Business Review (continued)

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.

Sales into international market improved during the year and overall total sales and production stabilised at 1,230 tonnes (2022: 1,203 tonnes). Sales within East Africa continued to be affected by the relative strength of the Tanzanian shilling to the Kenyan and Ugandan shillings, as well increased competition in the Kenyan market from synthetics.

During the current year to date, sales into the international market have improved further although margins remain tight.

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 2023. 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.

Dividends

During the year an interim dividend of Shs 2.00 per share amounting to Shs 120,000,000 was declared and paid (2022: Shs 240,000,000).

The directors do not recommend the payment of a final dividend in respect of the year ended 30th September 2023 (2022: Shs Nil).

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	

Director's statement as to the information given to the auditors

The directors confirm that with respect to each director at the time of approval of this report.

- There was, as far as each director is aware, no relevant audit information of which the group's and company's auditor are unaware; and
- Each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the group's and company's auditor are aware of that information.

Auditors

Deloitte & Touche LLP, having confirmed their willingness, continue in office in accordance with section 721 (2) of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

G. Kambuni
Secretary
5 February 2024



Statement of Directors' Responsibilities

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the group and of the Company as at the end of the financial year and of their profit or loss for that year. It also requires the Directors to ensure that the parent Company and its subsidiaries maintain proper accounting records that are sufficient to show and explain the transactions of the Company and its subsidiaries and disclose, with reasonable accuracy, the financial position of the Group and Company. The Directors are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

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

Having made an assessment of the Company and its subsidiaries ability to continue as going concerns, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company and its subsidiaries ability to continue as going concerns.

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

Approved by the board of directors on 5 February 2024 and signed on its behalf by:

N.R. Cuthbert
Director

O.M. Fowler
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REA VIPINGO PLANTATIONS LIMITED

Report on the Audit of the Consolidated and Company financial statements

Opinion

We have audited the accompanying financial statements of REA Vipingo Plantations Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 11 to 80, which comprise the consolidated and company statements of financial position as at 30 September 2023 and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly in all material respects, the financial position of the Group and of the Company at 30 September 2023 and of their financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Report of the directors and the Statement of directors' responsibilities which were obtained prior to the date of our report. The other information does not include the consolidated and company financial statements and our auditor's report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and company financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal controls as the Directors determine are necessary to enable the preparation of the consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's and its subsidiaries financial reporting process.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REA VIPINGO PLANTATIONS LIMITED (CONTINUED)

Report on the Audit of the Consolidated and Company financial statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

may cast significant doubt on the Company and its subsidiaries ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on pages 5 to 7 is consistent with the consolidated and company financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Eshak Harunani, practicing certificate No. 1895.**

For and on behalf of Deloitte & Touche LLP Certified Public Accountants (Kenya) Nairobi

5 February 2024



Consolidated statement of profit or loss and other comprehensive income

	Notes	2023 Shs'000	2022 Shs'000
Revenue	5	4,425,415	3,626,629
Net (loss)/gain arising from changes in fair value of biological assets	13 (a)	(28,526)	170,920
Cost of production		(2,251,456)	(1,870,941)
		<hr/>	<hr/>
Gross profit		2,145,433	1,926,608
Finance income	8 (a)	144,912	94,038
Other operating income		44,741	63,908
Distribution costs		(146,688)	(119,472)
Administrative expenses		(1,391,426)	(1,159,791)
Other operating expenses		(22,680)	(22,057)
Finance costs	8 (b)	(12,147)	(15,177)
		<hr/>	<hr/>
Profit before tax	6	762,145	768,057
Tax expense	9 (a)	(257,154)	(256,987)
		<hr/>	<hr/>
Profit for the year		504,991	511,070
		<hr/> <hr/>	<hr/> <hr/>



Consolidated statement of profit or loss and other comprehensive income (continued)

	Notes	2023 Shs'000	2022 Shs'000
Profit for the year		504,991	511,070
Other comprehensive income /(loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of net defined benefit asset	24 (b)	(27,466)	(23,613)
Deferred tax credit attributable to remeasurement of defined benefit asset	9 (b)	8,240	7,084
Remeasurement of defined benefit asset net of tax		(19,226)	(16,529)
<i>Item that may be reclassified subsequently to profit or loss</i>			
Foreign exchange adjustment on translation of foreign subsidiaries		247,382	127,435
Other comprehensive income for the year		228,156	110,906
Total comprehensive income for the year		733,147	621,976
Earnings per share from operations– basic and diluted	10	Shs 8.42	Shs 8.52



Company statement of profit or loss and other comprehensive income

	Notes	2023 Shs'000	2022 Shs'000
Revenue	5	894,937	746,966
Net (loss)/gain arising from changes in fair value of biological assets	13 (b)	(518)	33,043
Cost of production		(498,263)	(355,654)
Gross profit		396,156	424,355
Finance income	8 (a)	82,926	48,698
Dividends from subsidiaries		-	46,176
Other income		98,161	111,797
Distribution costs		(43,604)	(35,508)
Administrative expenses		(415,918)	(338,085)
Other operating expenses		(4,876)	(4,535)
Finance costs	8 (b)	(2,968)	(2,938)
Profit before tax	6	109,877	249,960
Tax expense	9 (a)	(40,229)	(68,446)
Profit for the year		69,648	181,514
Other comprehensive income/(loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of net defined benefit asset	24 (b)	(15,896)	(14,073)
Deferred tax credit attributable to remeasurement of defined benefit asset	9 (b)	4,769	4,222
Other comprehensive loss for the year		(11,127)	(9,851)
Total comprehensive income for the year		58,521	171,663



Consolidated statement of financial position

As at 30 September 2023

	Notes	2023 Shs'000	2022 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12 (a)	3,037,745	2,801,732
Investment properties	14	12,071	12,222
Right of use asset	15	23,975	29,483
Investment in unquoted shares	18	10,028	10,028
Deferred tax assets	23	19,621	11,003
Post employment benefit asset	24 (b)	62,385	76,805
		<hr/>	<hr/>
		3,165,825	2,941,273
		<hr/>	<hr/>
Current assets			
Inventories	19	1,000,260	955,856
Biological assets	13 (a)	974,956	951,326
Receivables and prepayments	20	957,739	918,794
Tax recoverable	9 (c)	52,875	20,149
Cash and cash equivalents	21	393,106	195,084
		<hr/>	<hr/>
		3,378,936	3,041,209
		<hr/>	<hr/>
Total assets		6,544,761	5,982,482
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Translation reserve/(deficit)		163,145	(84,237)
Retained earnings		4,380,597	4,014,832
		<hr/>	<hr/>
Shareholders' funds		4,928,238	4,315,091
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liabilities	23	753,847	695,094
Post employment benefit obligations	24 (a)	378,619	334,480
Borrowings	25	9,973	61,966
Lease liability	27	23,103	28,226
		<hr/>	<hr/>
		1,165,542	1,119,766
		<hr/>	<hr/>
Current liabilities			
Payables and accrued expenses	26	234,804	286,708
Tax payable	9 (c)	103,505	31,768
Borrowings	25	102,246	221,766
Lease liability	27	10,426	7,383
		<hr/>	<hr/>
		450,981	547,625
		<hr/>	<hr/>
Total equity and liabilities		6,544,761	5,982,482
		<hr/>	<hr/>

The financial statements on pages 11 to 80 were approved for issue by the board of directors on 5 February 2024 and were signed on its behalf by:

N.R. Cuthbert *Director*

O.M. Fowler *Director*



Company statement of financial position

As at 30 September 2023

	Notes	2023 Shs'000	2022 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12 (b)	383,980	401,057
Investment properties	14	12,071	12,222
Right of use asset	15	13,500	14,640
Investments in subsidiaries	17	208,174	198,943
Investment in unquoted shares	18	10,028	10,028
Post employment benefit asset	24 (b)	35,237	43,764
		<hr/>	<hr/>
		662,990	680,654
		<hr/>	<hr/>
Current assets			
Biological assets	13 (b)	165,826	166,344
Inventories	19	160,054	216,754
Receivables and prepayments	20	406,446	608,982
Tax recoverable	9 (c)	30,154	-
Cash and cash equivalents	21	338,338	170,336
		<hr/>	<hr/>
		1,100,818	1,162,416
		<hr/>	<hr/>
Total assets		1,763,808	1,843,070
		<hr/>	<hr/>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Retained earnings		1,076,631	1,138,110
		<hr/>	<hr/>
Shareholders' funds		1,461,127	1,522,606
		<hr/>	<hr/>
Non-current liabilities			
Post employment benefit obligations	24 (a)	132,028	128,086
Deferred tax liabilities	23	92,079	97,646
Borrowings	25	9,973	11,241
Lease liabilities	27	15,011	14,621
		<hr/>	<hr/>
		249,091	251,594
		<hr/>	<hr/>
Current liabilities			
Payables and accrued expenses	26	43,681	43,923
Tax payable	9 (c)	-	19,821
Borrowings	25	5,115	2,421
Lease liability	27	4,794	2,705
		<hr/>	<hr/>
		53,590	68,870
		<hr/>	<hr/>
Total equity and liabilities		1,763,808	1,843,070
		<hr/>	<hr/>

The financial statements on pages 11 to 80 were approved for issue by the board of directors on 5 February 2024 and were signed on its behalf by:

N. R. Cuthbert *Director*

O. M. Fowler *Director*



Consolidated statement of changes in equity

	Share capital	Share premium	Translation reserve/(deficit)	Retained earnings			Total
				Employee benefit reserve	Other	Total	
Year ended 30 September 2022	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	300,000	84,496	(211,672)	(29,463)	3,789,754	3,760,291	3,933,115
Profit for the year	-	-	-	-	511,070	511,070	511,070
Other comprehensive income/(loss) for the year	-	-	127,435	(16,529)	-	(16,529)	110,906
Total comprehensive income/(loss) for the year	-	-	127,435	(16,529)	511,070	494,541	621,976
Interim dividends paid	-	-	-	-	(240,000)	(240,000)	(240,000)
At end of year	300,000	84,496	(84,237)	(45,992)	4,060,824	4,014,832	4,315,091
Year ended 30 September 2023							
At start of year	300,000	84,496	(84,237)	(45,992)	4,060,824	4,014,832	4,315,091
Profit for the year	-	-	-	-	504,991	504,991	504,991
Other comprehensive income/(loss) for the year	-	-	247,382	(19,226)	-	(19,226)	228,156
Total comprehensive income/(loss) for the year	-	-	247,382	(19,226)	504,991	485,765	733,147
Interim dividends paid	-	-	-	-	(120,000)	(120,000)	(120,000)
At end of year	300,000	84,496	163,145	(65,218)	4,445,815	4,380,597	4,928,238

The translation reserve/(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.

The employee benefit reserve which is part of the retained earnings, represents the cumulative position, after tax, of movements in the defined benefit retirement scheme asset which have been recognised in the statement of other comprehensive income.



Company statement of changes in equity

	Share capital	Share premium	Retained earnings			Total
			Employee benefit reserve	Other	Total	
Year ended 30 September 2022	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	300,000	84,496	(23,343)	1,229,790	1,206,447	1,590,943
Profit for the year	-	-	-	181,514	181,514	181,514
Other comprehensive loss for the year	-	-	(9,851)	-	(9,851)	(9,851)
Total comprehensive (loss)/income for the year	-	-	(9,851)	181,514	171,663	171,663
Interim dividends paid	-	-	-	(240,000)	(240,000)	(240,000)
At end of year	300,000	84,496	(33,194)	1,171,304	1,138,110	1,522,606
Year ended 30 September 2023						
At start of year	300,000	84,496	(33,194)	1,171,304	1,138,110	1,522,606
Profit for the year	-	-	-	69,648	69,648	69,648
Other comprehensive loss for the year	-	-	(11,127)	-	(11,127)	(11,127)
Total comprehensive (loss)/ income for the year	-	-	(11,127)	69,648	58,521	58,521
Interim dividends paid	-	-	-	(120,000)	(120,000)	(120,000)
At end of year	300,000	84,496	(44,321)	1,120,952	1,076,631	1,461,127

The employee benefit reserve which is part of retained earnings, represents the cumulative position, after tax, of movements in the defined benefit retirement scheme asset which have been recognised in the statement of other comprehensive income.



Consolidated statement of cash flows

	Notes	2023 Shs'000	2022 Shs'000
Cash flows from operating activities			
Net cash generated from operations	30 (a)(i)	1,190,418	589,175
Interest received		10,166	8,728
Interest paid on bank loans	30(a)(ii)	(1,809)	(2,987)
Interest paid on bank overdrafts	8	(5,415)	(7,065)
Interest paid on lease liability	30(a)(iii)	(3,397)	(3,699)
Tax paid	9 (c)	(205,842)	(172,760)
		<hr/>	<hr/>
Net cash generated from operating activities		984,121	411,392
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (a)	(457,607)	(420,316)
Proceeds from disposal of property, plant and Equipment		6,153	13,550
		<hr/>	<hr/>
Net cash used in investing activities		(451,454)	(406,766)
		<hr/>	<hr/>
Cash flows from financing activities			
Interim dividends paid		(120,000)	(240,000)
Payment of bank loans	30(a)(ii)	(73,054)	(65,280)
Payment of lease liabilities	30(a)(iii)	(7,813)	(6,161)
		<hr/>	<hr/>
Net cash used in financing activities		(200,867)	(311,441)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at start of year		38,952	347,556
Foreign exchange adjustment		(6,553)	(1,789)
		<hr/>	<hr/>
Cash and cash equivalents at end of year	21	364,199	38,952
		<hr/> <hr/>	<hr/> <hr/>



Company statement of cash flows

	Notes	2023 Shs'000	2022 Shs'000
Cash flows from operating activities			
Net cash generated from operations	30 (b)(i)	431,082	141,772
Interest received		9,282	7,444
Interest on lease liability	30 (b)(ii)	(1,542)	(1,512)
Tax paid	9 (c)	(91,002)	(27,982)
		<hr/>	<hr/>
Net cash generated from operating activities		347,820	119,722
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (b)	(47,433)	(45,537)
Proceeds from disposals of property, plant and Equipment		-	8,331
		<hr/>	<hr/>
Net cash used in investing activities		(47,433)	(37,206)
		<hr/>	<hr/>
Cash flows from financing activities			
Dividends paid		(120,000)	(240,000)
Payment of lease liabilities	30 (b)(ii)	(3,154)	(2,241)
		<hr/>	<hr/>
Net cash used in financing activities		(123,154)	(242,241)
		<hr/>	<hr/>
Net increase /(decrease) in cash and cash equivalents		177,233	(159,725)
Cash and cash equivalents at start of year		170,336	334,986
Foreign exchange adjustment		(9,231)	(4,925)
		<hr/>	<hr/>
Cash and cash equivalents at end of year	21	338,338	170,336
		<hr/> <hr/>	<hr/> <hr/>



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 horticultural produce and also acts as a holding company. The principal activities of the subsidiary companies (the group) are described in note 17.

2. Accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, 2015. 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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2023

The following new and revised IFRSs became effective during the current year but had no effect in these financial statements or in presentation.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use

This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Amendments to IAS 37 Onerous Contracts – Cost of fulfilling a contract

The amendment clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred to assets used in fulfilling the contract.



Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Annual Improvements to IFRS Standards 2018-2020

The Annual Improvements include an amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41 by using a present value technique.

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

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 17 Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS practice statement 2 Disclosure of accounting policies	1 January 2023, with earlier application permitted.
Amendments to IAS 8 Definition of accounting estimates.	1 January 2023, with earlier application permitted.
Amendments to IAS 12 Income taxes	1 January 2023, with earlier application permitted.
Amendments to IAS 1 Classification of liabilities as current	1 January 2024, with earlier transitional reliefs in the first year.
Amendments to IAS 1 Classification of liabilities as current	1 January 2024, with earlier transitional reliefs in the first year.
Amendments to IAS 7 and IFRS 7 Supplier finance	1 January 2024, with earlier transitional reliefs in the first year.
Amendments to IFRS 16 Leases on sale and leaseback	1 January 2024 with earlier application permitted.
IFRS S1 General requirements for disclosures of sustainability – related financial information.	1 January 2024.
IFRS S2 Climate – related disclosures	1 January 2024

The directors do not anticipate that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and Company in future periods, except as noted below.

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

IFRS 17 Insurance Contracts

This Standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The directors do not expect that the adoption of the amendments will have a material impact on the financial statements of the Group and Company.

Amendments to IAS 1 and IFRS Practice Statements 2 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy and provides examples of when an accounting policy is likely to be material.

The directors do not expect that the adoption of the amendments will have a material impact on the financial statements of the Group and Company.



Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

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

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

Amendments to IAS 8 Definition of accounting estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new development is not the correction of an error.

The directors do not expect that the adoption of the amendments will have a material impact on the financial statements of the Group and Company.

Amendments to IAS 12 Income Taxes

The amendments requires recognition of deferred tax upon transactions, including the recognition of right of use assets and lease liabilities that, upon initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The directors anticipate that the application of these amendments may have an impact on the financial statements of the Group and Company in future periods should such transactions arise.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as either current or non-current depends upon the rights that exist at the end of the reporting period and is unaffected by events which occur, or are expected to occur, after the reporting date. The definition of “settlement” of a liability has also been clarified.

The directors do not expect that the adoption of the amendments will have a material impact on the financial statements of the Group and Company.

Amendments to IAS 7 and IFRS 7 Supplier Finance

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

The directors do not expect that the adoption of the amendments will have a material impact on the financial statements of the Group and Company.

Amendments to IFRS 16 Leases on Sale and Leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

The directors do not expect that the adoption of the amendments will have a material impact on the financial statements of the Group and Company.

IFRS S1 General requirements for disclosure of sustainability – related financial information

This includes the core framework for the disclosure of material information about sustainability related risks and opportunities across an entity’s value chain.

The directors are currently assessing the impact which this amendment may have on the financial statements of the Group and Company.

IFRS S2 Climate – related disclosures

This is the first thematic standard issued that sets our requirements for entities to disclose information about climate-related risks and opportunities.

The directors are currently assessing the impact which this amendment may have on the financial statements of the Group and Company.



Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its policy over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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 17.

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

Revenue recognition

Revenue represents the net invoiced value of goods and services rendered and is recognized upon transfer of goods to a customer. Revenue is stated net of Value Added Tax (VAT) and discounts where applicable.

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue is recognised as follows:

i. Sisal fibre export sales

The group recognizes revenue when it satisfies a performance obligation by transferring promised goods to a customer (which is when the customer obtains control of the goods). The amount of revenue recognized is the amount allocated to the satisfied performance obligation which is when sisal fibre is dispatched on free on board (FOB) terms i.e. a point in time when sisal fibre is placed on the vessel.



Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Revenue recognition (continued)

ii. Local sales

For the sale of agricultural produce to the local market, revenue is recognised when control of the agricultural produce has transferred, being at the point the agricultural produce is delivered to the customer. Payment is due at the point the customer takes control of the agricultural produce.

iii. Clearing and Forwarding Services

The group recognises revenue when it satisfies a performance obligation by clearing promised goods at the port (clearing and forwarding). The amount of revenue recognised is the amount allocated to the satisfied performance obligation. A performance obligation is satisfied at a point in time, when the customer obtains control of the service.

iv. Interest income is recognised on a time proportion basis using the effective interest method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

v. Produce grown on contract

Certain horticultural crops are grown on a contract basis. Revenue is recognised upon the harvesting of such crops.

The cost of production for cultivation of sisal, horticultural produce and manufacture of sisal yarns and twines is the accumulated total of all costs used to create the products which have been sold. The various costs of production fall into the general sub-categories of leaf cutting costs, field costs, factory costs, engineering costs, direct labour, direct fibre purchases, factory overheads and depreciation. The cost of production does not include selling and distribution expenses.

Inventories

Inventories of agricultural produce are stated at fair value 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 and unbrushed sisal fibre are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis for consumable stores and production cost for unbrushed fibre. 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, including sisal bearer plants, are originally recorded at cost.

After initial recognition, sisal bearer plants are measured at accumulated cost until maturity, which is estimated at 3 years from the planting date.

All property, plant and equipment, including sisal bearer plants after maturity, are subsequently stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical 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:

Buildings 50 years

Plant and machinery

(including vehicles and equipment) 5 – 10 years

Computer software 5 years

Bearer plants 8 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.



Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Property, plant and equipment (continued)

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 costs to sale. 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. The fair value of unharvested agricultural produce at the end of each reporting period is measured at the assessed fibre content of the leaves expected to be obtained within the next harvesting cycle.

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) 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

The group and company assess whether a contract is or contains a lease, at inception of the contract. The group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the group and company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.



Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Accounting for leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate if appropriate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the group and company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

The group and company apply IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

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)

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.

Current and deferred tax are recognised in profit or loss except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Capital gains tax is provided, when there is a confirmed agreement to dispose of an item subject to capital gains tax, on the basis of the appropriate tax legislation regarding the computation of capital gains and the tax rates that have been enacted or substantively enacted at the end of the reporting period and which are expected to apply in the period in which the asset will be realised.

Post-employment benefit obligations

The company participates in a group 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 company and employees

The pension costs are assessed using the projected

unit credit method. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the line item of pension cost-defined benefit scheme (included in staff costs). Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation and after recognition of any benefit arising from reduced employer contributions which may be available to the group as a result of the scheme being in an actuarial surplus position is limited to 50% of the total surplus in conformity with the regulations of the Retirement Benefits Authority.

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.



Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Post-employment benefit obligations (continued)

The group's contributions in respect of all defined contributions 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.

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.

Impairment of financial assets

The group measures loss allowance equal to lifetime expected credit losses for trade and other receivables and amounts due from related companies held at amortised cost as these receivables do not contain a significant financing component, since such receivables are normally due for settlement within 30 days from invoice date.

Cash flows relating to short-term receivables (0-12 months) generally are not discounted, unless the effect of doing so would be material. The carrying amount of the asset should be reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss should be included in net profit and loss for the period.

As trade receivables are generally due within 30 days from invoice date, existing provision matrices/methodologies incorporating both historical and forward looking information may be used to determine the lifetime expected credit losses and therefore measuring the provision for doubtful debts for trade receivables is not expected to change under IFRS 9.

(i) Significant increase in credit risk

At each reporting date, the group measures the loss allowance for a trade measured at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

This assessment is made considering all reasonable and supportable information, including that which is forward looking. Indicators of significant increase in credit risk could include (but not limited to) any of the following:

- significant financial difficulty
- an actual breach of contract, such as a default in interest or principal payments
- a high probability of bankruptcy or other financial reorganization
- the disappearance of an active market due to financial difficulties.



Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

If there is no significant increase in expected losses, then a loss allowance for 12 months must be recognised.

(ii) Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the group considers that default has occurred when a financial asset is more than 30 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The group writes-off debt only when there is objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Cash and cash equivalents

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

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.

Fair value measurement

The group does not have any financial assets or financial liabilities subject to fair value estimation.

Biological assets are stated at fair value less cost to sell at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.



Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Financial instruments (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible to or by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in the profit or loss in the period in which they are incurred.

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.

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.



Notes to the consolidated financial statements (continued)

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

(b) Key sources of estimation uncertainty

Impairment losses

The carrying amounts of tangible and intangible 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.

Useful lives of property, plant, equipment and intangible assets

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

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

Biological assets

(a) Horticultural crops

In determining the fair value of horticultural crops, 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.

(b) Agricultural produce at the point of harvest

Critical estimates are made by the directors in determining the fibre content of sisal leaves to be obtained within the next harvesting cycle as well as estimating the fair value of the fibre.

Further details of the significant assumptions relating to the measurement and valuation of biological assets are set out in note 13.

Defined benefit retirement scheme

Critical assumptions are made by the actuary in determining the present value of the defined benefit retirement scheme obligations. 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 24 (b).

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)

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

Deferred tax asset

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

Lease liability

In order to make a judgement to determine the term of the lease and the corresponding lease liability, the directors consider any options regarding extension or termination of the lease contract which may be available and whether it is probable that such options will be exercised.

Unless there is an implicit interest rate contained in the lease contract, the discount rate used to calculate the net present value of the lease liability is the group's incremental borrowing rate. This rate is estimated by the directors to be the rate which would be paid by the group to purchase a similar asset.



Notes to the consolidated financial statements (continued)

4. Financial risk management

The group's and company'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 and company'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 and company'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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Financial assets				
Receivables including cash and cash equivalents	719,365	530,965	709,558	755,686
Financial liabilities				
Payables	189,225	246,159	32,347	32,923
Borrowings	112,219	283,732	15,088	13,662
Lease liabilities	33,529	35,609	19,805	17,326
	<u>334,973</u>	<u>565,500</u>	<u>67,240</u>	<u>63,911</u>

Market risk

The activities of the group and company 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 and company'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 and company do not normally enter into forward foreign exchange contracts for the conversion of foreign currency into local currency.

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



Notes to the consolidated financial statements (continued)

4. Financial risk management (continued)

Foreign exchange risk (continued)

	Assets		Liabilities	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
US Dollars	617,609	474,733	42,807	110,349
Sterling Pound	286	-	8,136	5,888
Euro	1,724	1,244	58,933	84,970
	<u>619,619</u>	<u>475,977</u>	<u>109,876</u>	<u>201,207</u>
Company				
US Dollars	<u>402,952</u>	<u>227,945</u>	<u>2,055</u>	<u>19,725</u>



Notes to the consolidated financial statements (continued)

4. Financial risk management (continued)

Foreign currency sensitivity analysis

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

The following table details the group's and company'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.

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Impact on profit or loss:				
US Dollar	28,740(i)	18,219(i)	20,045(i)	10,411(i)
Euro	2,860(ii)	4,186(ii)	-	-
Sterling Pound	393(iii)	294(iii)	-	-

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

(ii) Indicates the reduction in profit before tax 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 an increase of the same amount

(iii) Indicates the reduction in profit before tax 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

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 and company do not hold any financial instruments subject to price risk.

Interest rate risk

The group and company are exposed to interest rate risk as it has borrowings at variable interest rates.

Interest rate sensitivity

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 group's and company's profit before tax for the year ended 30 September 2023 would have been decreased/increased as below:

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Impact of profit before tax	1,122	2,837	151	137



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 and Company have adopted a policy of only dealing with creditworthy counterparties and obtaining collateral where appropriate.

The group's and company's current credit risk grading framework comprises the following categories;

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 month ECL.
Doubtful	Amount is > 75 days due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit – impaired.
In default	Amount is > 120 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired.
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery.	Amount is written off.

The tables below detail the credit quality of the Group's and Company's financial assets as well as the Group's and Company's maximum exposure to credit risk by credit risk rating grade.

Group 2023	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
			Shs'000	Shs'000	Shs'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	22,419	-	22,419
Due from related companies	Performing	Lifetime ECL (simplified approach)	234,584	-	234,584
Other receivables	Performing	Lifetime ECL (simplified approach)	69,256	-	69,256
Bank balances	Investment grade	12 months ECL	387,999	-	387,999
			<u>714,258</u>	<u>-</u>	<u>714,258</u>



Notes to the consolidated financial statements (continued)

4. Financial risk management (continued)

Credit risk (continued)

The tables below detail the credit quality of the Group's and Company's financial assets as well as the Group's and Company's maximum exposure to credit risk by credit risk rating grade.

Group

2022	Internal/external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	4,693	-	4,693
Due from related companies	Performing	Lifetime ECL (simplified approach)	305,357	-	305,357
Other receivables	Performing	Lifetime ECL (simplified approach)	25,831	-	25,831
Bank balances	Investment grade	12 months ECL	181,448	-	181,448
			<u>517,329</u>	<u>-</u>	<u>517,329</u>

Company

2023	Internal/external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	22	-	22
Due from related companies	Performing	Lifetime ECL (simplified approach)	370,941	-	370,941
Other receivables	Performing	Lifetime ECL (simplified approach)	257	-	257
Bank balances	Investment grade	12 months ECL	337,275	-	337,275
			<u>708,495</u>	<u>-</u>	<u>708,495</u>



Notes to the consolidated financial statements (continued)

4. Financial risk management (continued)

Credit risk (continued)

Company 2022	Internal/external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	227	-	227
Due from related companies	Performing	Lifetime ECL (simplified approach)	584,601	-	584,601
Other receivables	Performing	Lifetime ECL (simplified approach)	522	-	522
Bank balances	Investment grade	12 months ELC	168,632	-	168,632
			<u>753,982</u>	<u>-</u>	<u>753,982</u>

For trade and other receivables and amounts due from related companies, the Group and Company have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL (which in the case of the Group and Company is the same as the 12-month ECL). The loss allowance is determined individually on specific customer balances.

The simplified approach is used for trade and other receivables and amounts due from related companies given that they are without a financing component. Because the simplified approach is used, an assessment as to whether there has been a significant increase in credit risk for those assets has not been performed.

The cash and cash equivalents are carried at amortized cost. The loss allowance on cash and cash equivalents, if recognized, would pass through the Profit or Loss account. The current liquid assets have been recognized as the principal amount receivable from the Banks excluding any interest. Bank balances are not restricted and include deposits held with banks that have high credit ratings. Bank balances are thus considered investment grade.



Notes to the consolidated financial statements (continued)

4. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company manage 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.

Group	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
2023				
Payables, accrued expenses and other liabilities	189,225	-	-	-
Borrowings	102,247	3,156	6,816	-
Future interest charges on borrowings	4,205	2,864	2,214	-
Lease liability	10,426	9,235	11,774	2,094
Future interest charges on lease liability	6,036	5,763	1,811	257
	312,139	21,018	22,615	2,351
2022				
Payables, accrued expenses and other liabilities	246,159	-	-	-
Borrowings	221,766	53,458	5,902	2,607
Future interest charges on borrowings	4,159	4,033	3,129	404
Lease liability	7,383	8,735	16,660	2,831
Future interest charges on lease liability	3,211	2,461	2,704	533
	482,678	68,687	28,395	6,375



Notes to the consolidated financial statements (continued)

4. Financial risk management (continued)

Liquidity risk (continued)

Company

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
2023				
Trade and other payables	32,347	-	-	-
Borrowings	5,115	3,156	6,817	-
Future interest charges on borrowings	1,742	2,864	2,214	-
Lease liabilities	4,794	5,155	9,856	-
Future interest charges on lease liabilities	1,555	1,048	751	-
Total financial liabilities	45,553	12,223	19,638	-
2022				
Trade and other payables	32,923	-	-	-
Borrowings	2,421	2,732	5,902	2,607
Future interest charges on borrowings	590	3,288	3,129	404
Lease liabilities	2,705	3,084	11,537	-
Future interest charges on lease liabilities	1,370	1,113	1,433	-
Total financial liabilities	40,009	10,217	22,001	3,011



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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Amounts utilised	97,131	270,071	-	-
Amounts unutilised	705,118	389,250	-	-
Total available facilities	802,249	659,321	-	-

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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Carrying value of assests subject to charge	5,002,967	4,785,079	-	-



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 borrowings, lease liabilities bank balances and cash and equity attributable to equity holders of the parent company; comprising issued capital, share premium, translation deficit and retained earnings.

	Group	
	2023	2022
	Shs' 000	Shs'000
Total borrowings	112,219	319,341
Bank balances and cash	(393,106)	(195,084)
Net borrowings	(280,887)	124,257
Total equity	4,931,056	4,315,091
Net borrowings to equity ratio	N/A	3%

5. Revenue

	Group		Company	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre	3,709,598	3,119,931	894,937	746,966
Yarn and twines	305,404	257,813	-	-
Horticulture	339,182	174,176	-	-
Forwarding services	71,231	74,709	-	-
	4,425,415	3,626,629	894,937	746,966



Notes to the consolidated financial statements (continued)

6. Profit before tax

	Group		Company	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
The profit before tax is arrived at after charging / (crediting):				
Depreciation on properties, plant and equipment (Note 12)	377,795	374,304	64,510	74,848
Depreciation on investment properties (Note 14)	151	151	151	151
Depreciation on right of use asset (Note 15)	7,608	7,304	3,240	2,978
Operating lease payments	1,792	1,716	1,792	1,716
Staff costs (Note 7)	1,753,886	1,576,540	511,750	422,275
Auditors' remuneration	17,504	15,096	5,500	5,090
Directors' emoluments - fees	9,437	7,726	6,720	5,280
- for management services	190,737	87,882	125,584	59,415
	<u>200,174</u>	<u>95,608</u>	<u>132,304</u>	<u>64,695</u>
Gain on disposal of property, plant and equipment	<u>(1,109)</u>	<u>(13,543)</u>	<u>-</u>	<u>(8,324)</u>

7. Staff costs

	Group		Company	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and wages	1,529,681	1,412,002	463,552	386,593
National Social Security Fund	80,693	60,347	8,474	2,794
Pension contributions – defined benefit retirement scheme credit (Note 24(b))	(8,168)	(9,567)	(4,614)	(5,450)
Pension contributions – defined contribution scheme	7,390	7,375	1,923	2,334
Gratuity and other terminal benefits	79,271	47,495	18,513	18,221
Medical	65,019	58,888	23,902	17,783
	<u>1,753,886</u>	<u>1,576,540</u>	<u>511,750</u>	<u>422,275</u>

Summary of number of permanent employees

Management	57	58	19	18
Supervisory	232	188	48	49
Unionisable	4,400	4,635	791	831
Others	6	7	-	-
	<u>4,695</u>	<u>4,888</u>	<u>858</u>	<u>898</u>



Notes to the consolidated financial statements (continued)

8. (a) Finance income

	Group		Company	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Interest income	10,166	8,728	9,282	7,444
Net foreign exchange gains	134,746	85,310	73,644	41,254
	<u>144,912</u>	<u>94,038</u>	<u>82,926</u>	<u>48,698</u>

(b) Finance costs

Interest on borrowings	3,235	4,413	1,426	1,426
Interest on overdrafts	5,415	7,065	-	-
Interest on lease liability	3,497	3,699	1,542	1,512
	<u>12,147</u>	<u>15,177</u>	<u>2,968</u>	<u>2,938</u>

9. Tax

	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
(a) Tax charge recognised in profit or loss				
Current tax	241,920	197,357	41,027	60,430
Prior year tax assessment	3,948	-	-	-
Deferred tax charge/(credit) (Note 23)	11,286	59,630	(798)	8,016
	<u>257,154</u>	<u>256,987</u>	<u>40,229</u>	<u>68,446</u>



Notes to the consolidated financial statements (continued)

9. Tax (continued)

(a) Tax charge recognised in profit or loss (continued)

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

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Profit before tax	762,145	768,057	109,877	249,960
Tax calculated at respective current tax rates	228,643	230,417	32,963	74,988
Tax effect of:				
Income not subject to tax	2,769	(65)	-	(13,853)
Expenses not deductible for tax purposes	21,075	26,635	7,266	7,311
Prior year adjustment on deferred tax	(1,050)	-	-	-
Prior year tax assessment	3,947	-	-	-
5% tax on turnover	1,770	-	-	-
Tax charge	257,154	256,987	40,229	68,446

The 5% tax on turnover is a tax charged on the subsidiary Amboni Spinning Mill Limited for being in a loss position for three consecutive years.

(b) Tax credit recognised in other comprehensive income/(loss)

Deferred tax credit attributable to remeasurement of net defined benefit asset	(8,240)	(7,084)	(4,769)	(4,222)
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The current tax rate for all the group subsidiaries was 30% (2022:30%).

At 30 September 2023, the group had tax losses amounting to Shs 44,830,000 and Shs 32,519,000 in respect of the subsidiary companies DWA Estate Limited (Biomass energy project) and Amboni Spinning Mill Limited (general trading business) respectively (2022: Shs 13,122,000 and Shs10,600,000) available to carry forward and set -off against future taxable income.



Notes to the consolidated financial statements (continued)

9. Tax (continued)

(c) Tax movement

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
At beginning of year	11,619	(13,086)	19,821	(12,627)
Current year charge	241,921	197,357	41,027	60,430
Prior year tax assessment	3,947	-	-	-
Tax paid	(205,842)	(172,760)	(91,002)	(27,982)
Translation adjustment	(1,015)	108	-	-
At end of year	50,630	11,619	(30,154)	19,821
Balances at year end				
Tax recoverable	(52,875)	(20,149)	(30,154)	-
Tax payable	103,505	31,768	-	19,821
	50,630	11,619	(30,154)	19,821

10. Earnings per share

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

	Group	
	2023 Shs'000	2022 Shs'000
Profit for the year (Shs '000)	504,991	511,070
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	8.42	8.52

There were no potentially dilutive ordinary shares outstanding at 30 September 2023 and at 30 September 2022. Diluted earnings per share are therefore the same as basic earnings per share.

11. Dividends

Interim dividends amounting to Shs 2 per share were declared and paid in respect of the year ended 30 September 2023 (2022: Shs 4).



Notes to the consolidated financial statements (continued)

12. Property, plant and equipment

(a) Group

Cost

	Leasehold land	Buildings	Plant and machinery	Software	Bearer plants	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 October 2021	172,434	511,458	1,757,140	10,048	2,062,938	397,180	4,911,198
Additions	-	-	65,949	-	284,380	69,987	420,316
Transfers	-	66,523	27,892	-	-	(94,415)	-
Disposals	-	-	(55,770)	-	-	-	(55,770)
Assets written off	-	-	(1,840)	(453)	(162,941)	-	(165,234)
Translation adjustment	6,589	16,268	66,846	170	77,412	1,157	168,442
At 30 September 2022	179,023	594,249	1,860,217	9,765	2,261,789	373,909	5,278,952
At 1 October 2022	179,023	594,249	1,860,217	9,765	2,261,789	373,909	5,278,952
Additions	-	-	57,523	376	356,471	43,237	457,607
Transfers	-	3,366	25,696	-	-	(29,062)	-
Disposals	-	-	(13,714)	-	-	-	(13,714)
Assets written off	-	-	(16,288)	(267)	(196,583)	-	(213,138)
Translation adjustment	12,349	34,191	130,295	319	160,018	86	337,258
At 30 September 2023	191,372	631,806	2,043,729	10,193	2,581,695	388,170	5,846,965



Notes to the consolidated financial statements (continued)

12. Property, plant and equipment (continued)

(a) Group

Depreciation

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Bearer plants Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2021	29,829	88,764	1,258,235	8,497	851,826	-	2,237,151
Charge for the year	6,291	11,089	148,288	700	207,936	-	374,304
Eliminated on disposals	-	-	(55,764)	-	-	-	(55,764)
Eliminated on write offs	-	-	(1,840)	(453)	(162,941)	-	(165,234)
Translation adjustment	1,727	2,198	52,132	170	30,536	-	86,763
At 30 September 2022	37,847	102,051	1,401,051	8,914	927,357	-	2,477,220
At 1 October 2022	37,847	102,051	1,401,051	8,914	927,357	-	2,477,220
Charge for the year	6,913	12,177	136,512	344	221,849	-	377,795
Eliminated on disposals	-	-	(9,251)	-	-	-	(9,251)
Eliminated on write offs	-	-	(15,707)	(267)	(196,583)	-	(212,557)
Translation adjustment	4,015	4,767	105,920	319	60,992	-	176,013
At 30 September 2023	48,775	118,995	1,618,525	9,310	1,013,615	-	2,809,220
Net book amount							
At 30 September 2023	142,597	512,811	425,204	883	1,568,080	388,170	3,037,745
At 30 September 2022	141,176	492,198	459,166	851	1,334,432	373,909	2,801,732



Notes to the consolidated financial statements (continued)

12. Property, plant and equipment (continued)

(a) Group

Included in property, plant and equipment are assets with an original cost of Shs 1,016,601,000 (2022: Shs 830,288,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 165,167,000 (2022: Shs 136,406,000).

The capital work in progress relates to a Biomass Power Project and various construction projects being undertaken by the group.

Interest expense directly attributable to the acquisition and construction of qualifying assets capitalised during the year amounted to Shs 5,053,000 (2022: Shs 5,253,000).

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 20,992,000 (2022: Shs 2,293,000) and had a carrying value of Shs nil (2022: Shs nil). Bearer plants with a total cost of Shs 196,583,000 (2022: Shs 162,941,000) and a carrying value of Shs nil (2022: Shs nil) were cut out, having reached the end of their productive life.

Based on an impairment review performed by the directors at 30 September 2023, no further indications of impairment of property, plant and equipment were identified. (2022: 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 8 years to 40 years.



Notes to the consolidated financial statements (continued)

12. Property, plant and equipment (continued)

(b) Company

Cost

	Leasehold land	Buildings	Plant and machinery	Software	Bearer plants	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 October 2021	2,699	131,764	322,615	3,018	427,487	321	887,904
Additions	-	-	10,460	-	33,300	1,777	45,537
Transfers	-	-	2,098	-	-	(2,098)	-
Disposals	-	-	(34,499)	-	-	-	(34,499)
Assets written off	-	-	(126)	(452)	(35,635)	-	(36,213)
At 30 September 2022	2,699	131,764	300,548	2,566	425,152	-	862,729
At October 2022	2,699	131,764	300,548	2,566	425,152	-	862,729
Additions	-	-	8,069	-	39,364	-	47,433
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Assets written off	-	-	(4,877)	(267)	(54,894)	-	(60,038)
At 30 September 2023	2,699	131,764	303,740	2,299	409,622	-	850,124



Notes to the consolidated financial statements (continued)

12. Property, plant and equipment (continued)

(b) Company

Depreciation

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Bearer plants Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2021	204	28,249	225,733	2,314	201,028	-	457,528
Charge for the year	33	2,551	27,696	443	44,125	-	74,848
Eliminated on disposals	-	-	(34,491)	-	-	-	(34,491)
Eliminated on write offs	-	-	(126)	(452)	(35,635)	-	(36,213)
At 30 September 2022	237	30,800	218,812	2,305	209,518	-	461,672
At 1 October 2022	237	30,800	218,812	2,305	209,518	-	461,672
Charge for the year	33	2,551	21,119	100	40,707	-	64,510
Eliminated on disposals	-	-	-	-	-	-	-
Eliminated on write offs	-	-	(4,877)	(267)	(54,894)	-	(60,038)
At 30 September 2023	270	33,351	235,054	2,138	195,331	-	466,144
Net book amount							
At 30 September 2023	2,429	98,413	68,686	161	214,291	-	383,980
At 30 September 2022	2,462	100,964	81,736	261	215,634	-	401,057

Included in property, plant and equipment are assets with an original cost of shs 157,646,000 (2022:shs 112,708,000) which are fully depreciated and whose normal depreciation charge for the year would have been shs 29,508,000 (2022:shs 21,366,000).

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 5,039,000 (2022: shs 579,000) and had a carrying value of shs nil (2022: shs nil). Bearer plants with a total cost of Shs 54,894,000 (2022: shs 35,635,000) were also cut out having reached the end of their productive life.

Based on an impairment review performed by the directors as at 30 September 2023, no indications of further impairment of property, plant and equipment were identified. (2022: none).

The company's land titles consist of beach plots in a residential development managed by an unrelated company, Vipingo Beach Limited.



Notes to the consolidated financial statements (continued)

13. Biological assets (a) Group

	Horticultural crops	Sisal agricultural produce	Total
	Shs'000	Shs'000	Shs'000
Year ended 30 September 2022			
Carrying amount at start of the year	57,002	694,920	751,922
Gain arising from changes in fair value attributable to physical changes	15,342	104,971	120,313
Gain arising from changes in fair value attributable to price changes	-	50,607	50,607
Net fair value gain	15,342	155,578	170,920
Translation adjustment	-	28,484	28,484
Carrying amount at end of the year	72,344	878,982	951,326
Year ended 30 September 2023			
Carrying amount at start of the year	72,344	878,982	951,326
Loss arising from changes in fair value attributable to physical changes	(8,625)	(38,841)	(47,466)
Gain arising from changes in fair value attributable to price changes	-	18,940	18,940
Net fair value loss	(8,625)	(19,901)	(28,526)
Translation adjustment	-	52,156	52,156
Carrying amount at end of year	63,719	911,237	974,956



Notes to the consolidated financial statements (continued)

13. Biological assets (continued)

(b) Company

Sisal agricultural produce	2023	2022
	Shs'000	Shs'000
Carrying amount at start of year	166,344	133,301
Loss arising from changes in fair value attributable to physical changes	(331)	(13,898)
(Loss)/gain arising from changes in fair value attributable to price changes	(187)	46,941
Net fair value (loss)/gain	(518)	33,043
Carrying amount at end of year	165,826	166,344

Biological assets comprises of growing produce for both sisal and horticultural crops and is stated at fair value less cost to sell in accordance with the principles of IAS 41.

Growing produce in relation to sisal is represented by the fair value of the estimated fibre content, at the accounting date, of the leaves which may be expected to be cut during the next harvesting cycle less anticipated harvesting, fibre extraction and point of sale costs.

Significant assumptions made in determining the fair value of the sisal agricultural produce are:

- Sisal plants are cut, on average at six monthly intervals throughout the plants' productive life.
- Leaves grow at a uniform rate between cuts.
- Fibre weight increases at a uniform rate between cuts.
- The average monthly production will be one twelfth of the budgeted annual production for the forthcoming year.
- The harvesting, processing and selling costs and the average unit selling price are based upon the budget for the forthcoming year following the accounting date.

Horticultural crops at the year end comprised of baby corn, maize and water melon.

The approximate periods to commencement of harvest for the various crops are:

	Weeks
Baby corn	12
Maize	12
Water melon seeds	13

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

- Baby corn and maize – anticipated future cash flows based on current market prices and budgeted costs of production as approved by the directors.
- Water melon seeds – the anticipated future cash flows based on current market prices, budgeted costs of production and costs to sale.



Notes to the consolidated financial statements (continued)

14. Investment properties

The group holds 7 plots in a residential development managed by an unrelated Company, Vipingo Beach Limited. Two plots are utilised by the company and are included in property, plant and equipment. The information given below relates to the remaining 5 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 and company constitute finance leases.

Investment properties

	Group and Company	
	2023	2022
	Shs'000	Shs'000
Cost		
At start and end of year	13,541	13,541
	<hr/>	<hr/>
Depreciation		
At start of year	1,319	1,168
Charge for the year	151	151
	<hr/>	<hr/>
At year end	1,470	1,319
	<hr/>	<hr/>
Carrying value at end of year	12,071	12,222
	<hr/>	<hr/>
Fair value	47,500	47,500
	<hr/>	<hr/>

The fair values of investment properties are based on valuations made by Lloyd Masika Limited, Registered Valuers at the end of the year.



Notes to the consolidated financial statements (continued)

15. Right of use asset

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Cost				
At start of year	46,565	46,565	17,866	17,866
Additions	2,100	-	2,100	-
At end of year	48,665	46,565	19,966	17,866
Depreciation				
At start of year	17,082	9,778	3,226	248
Charge for the year	7,608	7,304	3,240	2,978
At end of year	24,690	17,082	6,466	3,226
Net book amount	23,975	29,483	13,500	14,640

The right of use asset relates to agricultural land held under licence to occupy and warehousing, staff house and office facilities held under lease.

IFRS 16 requires that right of use assets be tested for impairment in accordance with IAS 36. An impairment review performed by the directors at 30 September 2023 did not identify any impairment in the carrying value of the right of use asset (2022: None).



Notes to the consolidated financial statements (continued)

16. Fair value hierarchy

The table below shows an analysis of all assets and liabilities measured at fair value in the financial statements or for which fair values are disclosed in the financial statements by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (derived from prices).
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The principal unobservable inputs for biological assets are yield, market prices and the exchange rate between the Kenya Shilling and US Dollar. Any variation from the assumptions used in the fair value measurement would result in a corresponding variation in the valuation of the biological asset.

Group

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2023			
Biological assets	-	63,719	911,237
Investment properties	-	47,500	-
30 September 2022			
Biological assets	-	72,344	878,982
Investment properties	-	47,500	-

Company

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2023			
Biological assets	-	-	165,826
Investment properties	-	47,500	-
30 September 2022			
Biological assets	-	-	166,344
Investment properties	-	47,500	-



Notes to the consolidated financial statements (continued)

16. Fair value hierarchy (continued)

Fair value of biological assets is assessed as follows:

The fair value of the sisal agricultural produce is estimated as the value of the assessed fibre content of the leaves which may be expected to be cut during the next harvesting cycle, less anticipated harvesting, fibre extraction and point of sale costs.

Horticultural crops:

Baby corn and maize– anticipated future cash flows based on current market prices and budgeted costs of production as approved by the directors.

Watermelons – the anticipated future cash flows based on current market prices, budgeted costs of production and costs to sale.

Sensitivity analysis of Level 3 Biological assets

Group

An increase/(reduction) in the production per hectare of 5% would result in an increase/(decrease) in the fair value of agricultural produce at the point of harvest of Shs 45,562,000 (2022: Shs 43,945,000).

An increase/(decrease) in the selling price per tonne of 5% would result in an increase/(decrease) in the fair value of agricultural produce at the point of harvest of Shs 57,629,000 (2022: Shs 55,265,000).

Sisal fibre is traded in foreign currency, specifically the US Dollar. An (decrease)/increase of the Kenya Shilling/ Tanzania Shilling against the US Dollar would therefore result in the same increase/(decrease) in the fair value of agricultural produce at the point of harvest and a similar variation of the selling price.

Company

An increase/(reduction) in the production per hectare of 5% would result in an increase/(decrease) in the fair value of agricultural produce at the point of harvest of Shs 8,291,000 (2022: Shs 8,317,000).

An increase/(decrease) in the selling price per tonne of 5% would result in an increase/(decrease) in the fair value of agricultural produce at the point of harvest of Shs 11,448,000 (2022: Shs 11,110,000)

Sisal fibre is traded in foreign currency, specifically the US Dollar. A decrease/(increase)of the Kenya Shilling against the US Dollar would therefore result in the same increase/(decrease) in the fair value of agricultural produce at the point of harvest and a similar variation of the selling price.

The fair values of investment properties at 30 September 2023 are based on valuations made by Lloyd Masika Limited, Registered Valuers at the end of the year.

17. Investment in subsidiaries

	Company	
	2023	2022
	Shs'000	Shs'000
Shares in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	73,999	64,768
	208,174	198,943
	208,174	198,943



Notes to the consolidated financial statements (continued)

17. Investment in subsidiaries (continued)

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
Wigglesworth Exporters Limited	Kshs 1,000	Kenya	Export of sisal fibre

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 near future, it has been accounted for as an addition to the investment in the subsidiary company in accordance with the provision of IAS 21.



Notes to the consolidated financial statements (continued)

18. Investment in unquoted shares – at cost

	Group and Company	
	2023	2022
	Shs'000	Shs'000
700 shares in Vipingo Beach Limited	10,028	10,028

The group and company hold 7 plots in a residential development, Vipingo Beach Limited. It is a requirement that owners of such plots should be holders of 100 shares in Vipingo Beach Limited for each plot held (Note 14).

19. Inventories

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Sisal fibre at fair value less estimated cost of sale	592,666	528,754	108,717	162,738
Horticultural produce at fair value less estimated cost of sale	-	61	-	-
Finished goods at lower of cost or net realisable value less provision	19,984	60,142	-	-
Stores and raw materials at lower of cost or net realisable value less provision	387,610	366,899	51,337	54,016
	<u>1,000,260</u>	<u>955,856</u>	<u>160,054</u>	<u>216,754</u>

20. Receivables and prepayments

Trade receivables	22,419	4,693	22	227
Prepayments	55,940	44,604	9,797	5,801
Amount due from related parties (Note 31 (v))	234,584	305,357	74,581	63,837
Amounts due from group companies (Note 31 (v))	-	-	296,360	520,764
VAT recoverable	575,540	538,309	25,429	17,831
Other receivables	69,256	25,831	257	522
	<u>957,739</u>	<u>918,794</u>	<u>406,446</u>	<u>608,982</u>

The receivable amounts are short-term and hence the impact of discounting would be insignificant, thus the carrying amounts approximate to the fair value.



Notes to the consolidated financial statements (continued)

21. Cash and cash equivalents	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Cash in hand	5,107	13,636	1,063	1,704
Cash at bank				
Current accounts	60,232	50,853	9,508	38,037
Deposits				
Call deposit USD	178,864	49,849	178,864	49,849
Term deposit - USD	148,903	80,746	148,903	80,746
Total cash at bank	387,999	181,448	337,275	168,632
Total cash and cash equivalents	393,106	195,084	338,338	170,336

The effective average interest rate on the USD bank deposits at the year end was 6% for term deposits and 5% for call deposits.

All term deposits mature within a period not exceeding 180 days or are accessible on demand.

For the purposes of the cash flow statements the year end cash and cash equivalents comprise the following:

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Cash at bank and in hand as above	393,106	195,084	338,338	170,336
Bank overdrafts (Note 25)	(28,907)	(156,132)	-	-
	364,199	38,952	338,338	170,336



Notes to the consolidated financial statements (continued)

22. Share capital	Number of shares (Thousands)	Share Capital Shs'000	Share Premium Shs'000
Authorised, issued and fully paid			
Balance at 1 October 2021, 1 October 2022 and 30 September 2023	60,000	300,000	84,496

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.

23. Deferred tax

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

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
At start of year	684,091	607,152	97,646	93,852
Tax charge/(credit) recognised in profit or loss (Note 9 (a))	11,286	59,630	(798)	8,016
Tax credit recognised in other comprehensive income/ (loss) (Note 9(b))	(8,240)	(7,084)	(4,769)	(4,222)
Translation adjustment	47,089	24,393	-	-
At end of year	734,226	684,091	92,079	97,646

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

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Deferred tax assets	(19,621)	(11,003)	-	-
Deferred tax liabilities	753,847	695,094	92,079	97,646
	734,226	684,091	92,079	97,646



Notes to the consolidated financial statements (continued)

23. Deferred tax (continued)

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

Group

	1.10.2022	Charged/ (credited) to profit or loss	Credited to other comprehensive income	Translation adjustment	30.9.2023
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities					
Accelerated tax depreciation	535,450	37,010	-	39,856	612,316
Horticultural crops	21,703	(2,588)	-	-	19,115
Sisal agricultural produce at point of harvest	263,697	(5,970)	-	15,647	273,374
Post employment benefit asset	23,039	2,210	(8,240)	-	17,009
Right of use asset	8,845	(1,651)	-	-	7,194
	852,734	29,011	(8,240)	55,503	929,008
Deferred tax assets					
Provisions	(150,845)	(3,091)	-	(7,584)	(161,520)
Lease liability	(10,682)	623	-	-	(10,059)
Trading losses	(7,116)	(15,257)	-	(830)	(23,203)
	(168,643)	(17,725)	-	(8,414)	(194,782)
Net deferred tax liability	684,091	11,286	(8,240)	47,089	734,226



Notes to the consolidated financial statements (continued)

23. Deferred tax (continued)

Company

	1.10.2022	Charged/ (credited) to profit or loss	Credited to other comprehensive income	30.09.2023
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	87,750	(1,615)	-	86,135
Agricultural produce at point of harvest	49,905	(155)	-	49,750
Post employment benefit asset	13,128	2,210	(4,769)	10,569
Right of use asset	4,392	(342)	-	4,050
	155,175	(98)	(4,769)	150,504
Deferred tax assets				
Provisions	(5,197)	(744)	-	(5,941)
Lease liability	(52,332)	(152)	-	(52,484)
	(57,529)	(896)	-	(58,425)
Net deferred tax liability	97,646	(798)	(4,769)	92,079



Notes to the consolidated financial statements (continued)

24. Post employment benefit obligations/ (asset)	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Post employment benefit obligations/(asset) comprise:				
(a) Staff retirement gratuity	378,619	334,480	132,028	128,086
(b) Defined benefit retirement scheme	(62,385)	(76,805)	(35,237)	(43,764)

(a) Staff retirement gratuity

A retirement gratuity is awarded to unionised employees after qualifying 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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
At start of year	334,480	312,668	128,086	124,380
Charged to profit or loss	79,084	47,300	18,326	18,007
Utilised during year	(47,675)	(31,296)	(14,384)	(14,301)
Translation adjustment	12,730	5,808	-	-
At end of year	378,619	334,480	132,028	128,086

(b) Defined benefit retirement 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 2024.

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

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Present value of funded obligations	430,140	363,245	242,951	206,980
Fair value of scheme assets	(504,478)	(505,984)	(284,939)	(288,314)
Effect of asset ceiling	11,953	65,934	6,751	37,570
Net asset in statement of financial position	(62,385)	(76,805)	(35,237)	(43,764)



Notes to the consolidated financial statements (continued)

24. Post employment benefit obligations/(asset) (continued)

(b) Defined benefit retirement scheme (continued)

Movements in the group post employment benefit asset in the current year:

	Group	
	2023	2022
	Shs'000	Shs'000
Opening defined benefit asset	(76,805)	(85,421)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	2,449	1,902
Interest on obligation	50,466	42,180
Interest on effect of asset ceiling	9,231	11,728
Interest income on plan assets	(70,314)	(65,377)
Net credit for the year included in staff costs (Note 7)	(8,168)	(9,567)
Employer's contributions	(4,878)	(5,430)
Amount recognised in other comprehensive income/(loss):		
Actuarial loss – obligation	26,333	5,522
Actuarial loss – experience	-	141
Return on plan assets (excluding amount in interest cost)	64,344	(51,924)
Change in effect of asset ceiling (excluding amount in interest cost)	(63,211)	(33,974)
Total amount recognised in other comprehensive income	27,466	23,613
Defined benefit asset at the end of the reporting period	(62,385)	(76,805)
Reconciliation of benefit obligation		
Opening benefit obligation	363,245	316,982
Current service cost	2,449	1,902
Interest cost	50,466	42,180
Employee contributions	4,241	4,058
Actuarial loss – change of assumptions	26,333	5,522
Actuarial loss – experience	-	141
Benefits paid	(16,594)	(7,540)
Closing benefit obligation	430,140	363,245
Reconciliation of assets		
Opening market value of assets	(505,984)	(490,583)
Interest income on plan assets	(70,314)	(65,377)
Employer contributions	(4,878)	(5,430)
Employee contributions	(4,241)	(4,058)
Return on plan assets	64,344	51,924
Benefits paid	16,595	7,540
Closing market value of assets	(504,478)	(505,984)



Notes to the consolidated financial statements (continued)

24. Post employment benefit obligation/(asset) (continued)

(b) Defined benefit retirement scheme (continued)

Movements in the company post employment benefit asset in the current year:

	Company	
	2023	2022
	Shs'000	Shs'000
Opening defined benefit asset	(43,764)	(49,293)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	1,383	1,084
Interest on obligation	28,504	24,035
Interest on effect of asset ceiling	5,214	6,683
Interest income on plan assets	(39,715)	(37,252)
Net credit for the year included in staff costs	(4,614)	(5,450)
Employer's contributions	(2,755)	(3,094)
Amount recognised in other comprehensive income/(loss)	15,896	14,073
Defined benefit asset at the end of the reporting period	(35,237)	(43,764)

The above amounts are determined by apportioning the totals for the group scheme on the basis of aggregate contributions paid.



Notes to the consolidated financial statements (continued)

24. Post employment benefit obligation/(asset) (continued)

(b) Defined benefit retirement scheme (continued)

The following assumptions represent management's best estimate of long-term expectation.

	2023	2022
- discount rate	15.9%	14.0%
- future salary increases	10%	9.0%
- future pension increases	0%	0%

Other disclosures

Characteristics and Risks of the Scheme:

The Scheme is of a defined benefit nature (i.e. salary and service related). Therefore, one of the main risks relating to the benefits under the Scheme is the rate of salary growth. As the benefits are based on the final salary, any changes in salary that differ from the salary escalation rate assumed will have a direct bearing on the benefits paid and the present value of the benefit obligation under the scheme. The Company's experience with respect to pre-retirement exit experience, actual ages of retirement and mortality will also impact the benefits payable under the Scheme, when compared with the assumption made. The Scheme is registered under irrevocable trust with the Retirement Benefits Authority. The Retirement Benefits Act, 1997 and Regulations under the Act require the Scheme to maintain a funding level of 100%. Where the funding level is below, such deficits are required to be amortised over a period not exceeding 6 years.

Asset ceiling

The Regulations require that, in the event of a winding up of the Scheme, any surplus, after recognition of the benefit arising from reduced employer contributions available to the group as a result of the scheme being in an actuarial surplus position, is to be shared on an equal basis between the members of the scheme and the sponsor. The potential effect of this is reflected in the asset position at the end of the financial period.

Sensitivity of the Results:

The results of the actuarial valuation will be more sensitive to changes in the financial assumption than changes in the demographic assumptions. In preparing the sensitivity analysis of the results to the discount rate used, the actuaries have relied on the calculations of the duration of the liability. Based on this methodology, the results of the sensitivity analysis are summarised in the table below:

Present value of obligation

2023

Ksh'000	Ksh'000
Current Discount Rate (%)	Discount Rate – 1% (%)
(15.9%)	(14.9%)
430,100	425,300

2022

Ksh'000	Ksh'000
(14%)	(13%)
363,200	361,600



Notes to the consolidated financial statements (continued)

24. Post employment benefit obligation/(asset) (continued)

(b) Defined benefit retirement scheme (continued)

Since the bulk of the benefits payable under the Scheme are salary related, the sensitivity of the liability to a change in the salary escalation assumption is not expected to be materially different. However, the impact of a change in salary escalation is expected to be less than the impact of a change in the discount rate as a portion of the liabilities (for example the liability in respect of pensions in payment and deferred pensioners) would not be affected by a change in the salary escalation rate.

Effect on Company Cashflows:

The Scheme is funded and therefore benefits are paid from Scheme assets as and when they arise. The Company is required to contribute to the Scheme in respect of the accrual of new benefits and towards any deficit that may arise. As the Scheme is closed, the cost of accrual of new benefits may rise over time with the ageing of the active population. Poor experience of the Scheme may also result in additional funding requirements towards any deficit that arises.

Maturity Analysis of the Liability:

The weighted average duration of the liability as at 30 September 2023 is 1.1 (2022: 0.44).



Notes to the consolidated financial statements (continued)

24. Post employment benefit obligations/(asset) (continued) (b) Defined benefit retirement scheme (continued)

Scheme assets

The scheme assets are managed by ICEA Lion Asset Management Limited. The composition of the assets was as follows:

	2023		2022	
	Shs'000	%	Shs'000	%
Government securities	377,851	74.9	351,266	69.4
Quoted equities	79,122	15.7	99,193	19.6
Cash and contributions due	6,476	1.3	2,233	0.4
Money market	41,030	8.1	53,292	10.6
	<u>504,479</u>	<u>100.0</u>	<u>505,984</u>	<u>490,583</u>

Other post employment benefit obligations

The group and company also contribute to a defined contribution retirement benefit scheme for certain non-unionisable employees. The contributions which have been charged to profit or loss are as below:

	Group		Company	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Defined contribution benefit scheme	<u>7,390</u>	<u>7,375</u>	<u>1,923</u>	<u>2,334</u>

The group and company also make 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. The contributions which have been charged to profit or loss are as below:

	Group		Company	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
National Social Security Fund	<u>80,693</u>	<u>60,347</u>	<u>8,474</u>	<u>2,794</u>



Notes to the consolidated financial statements (continued)

25. Borrowings

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Bank overdrafts	28,907	156,132	-	-
Bank loans	68,224	113,938	-	-
Other borrowings	15,088	13,662	15,088	13,662
	<u>112,219</u>	<u>283,732</u>	<u>15,088</u>	<u>13,662</u>
Total borrowings				
Less current portion	(102,246)	(221,766)	(5,115)	(2,421)
	<u>9,973</u>	<u>61,966</u>	<u>9,973</u>	<u>11,241</u>
Non-current portion				
Maturity of non-current borrowings				
Between 1 and 2 years	3,156	53,457	3,156	2,732
Between 2 and 5 years	6,817	5,902	6,817	5,902
Between 5 and 10 years	-	2,607	-	2,607
	<u>9,973</u>	<u>61,966</u>	<u>9,973</u>	<u>11,241</u>

The bank loans and bank overdrafts are secured by a first legal charge and a debenture over certain of the group's immovable properties and other assets and by guarantees given by related companies.

The bank overdrafts and loan balances denominations and effective interest rates are as listed below:

	2023 Shs'000	Effective Interest Rates	2022 Shs'000	Effective Interest Rates
Bank overdrafts				
Kenya Shillings	-	12.25%	117,522	12.25%
Tanzania Shillings	996	16%	23,187	16%
USD	27,911	7%	15,423	7%
	<u>28,907</u>		<u>156,132</u>	
Bank loans				
Euros	58,933	6.99%	84,969	3%
USD	9,291	8%	28,969	8%
	<u>68,224</u>		<u>113,938</u>	

The Euro loan is for the purpose of construction of biomass plant at Dwa Estate Limited. The US dollar loan relates to capital expenditure incurred by Amboni Plantations Limited.

Other borrowings relate to a loan denominated in Kenya Shillings with an effective interest rate of 15.5% and is towards replanting costs at Vipingo Estate.



Notes to the consolidated financial statements (continued)

26. Payables and accrued expenses

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Trade payables	70,832	73,714	9,856	11,673
Amount due to related parties (Note 31 (v))	12,189	12,346	1,846	2,334
Provision for leave pay	45,232	39,920	11,334	11,000
Accrued expenses	60,449	42,307	13,423	12,777
Other payables	46,102	118,421	7,222	6,139
	<u>234,804</u>	<u>286,708</u>	<u>43,681</u>	<u>43,923</u>

The payables and accrued expenses are short-term and hence the impact of discounting would be insignificant, thus the carrying amounts approximate to the fair value.

27. Lease liability

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Current	10,426	7,383	4,794	2,705
Non-current	23,103	28,226	15,011	14,621
	<u>33,529</u>	<u>35,609</u>	<u>19,805</u>	<u>17,326</u>
Maturity of non-current lease liability				
Between 1 and 2 years	9,235	8,735	5,156	3,084
Between 2 and 5 years	6,045	16,660	9,855	11,537
Between 5 and 10 years	7,823	2,831	-	-
	<u>23,103</u>	<u>28,226</u>	<u>15,011</u>	<u>14,621</u>



Notes to the consolidated financial statements (continued)

27. Lease liability (continued)

The lease liability denominations and effective interest rates are listed below.

	Group		Company	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
USD	17,936	17,326	17,936	17,326
Kenya Shillings	15,593	18,283	1,869	-
	<u>33,529</u>	<u>35,609</u>	<u>19,805</u>	<u>17,326</u>

The effective interest rates on the lease liability at the end of the year ranged between 9.25% to 15.35% (2022: 9.25% to 12.5%).

28. Contingent liabilities

The group companies are defendants in various legal actions relating to industrial accidents and other employment-related legal claims for which provision has not been made in these financial statements as the directors are of the opinion that the possibility of any significant loss is remote.

Certain tax claims have been brought against Dwa Estate Ltd by Kenya Revenue Authority (KRA). In the opinion of the directors, after taking appropriate professional advice, such claims will not result in any significant loss to the company.



Notes to the consolidated financial statements (continued)

29. 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	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Authorised and contracted for	123,092	102,280	-	582

Operating lease commitments

The group as lessee

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

	Group & Company	
	2023 Shs'000	2022 Shs'000
Not later than 1 year	697	697
Between 2 and 5 years	2,032	2,729
Over 5 years	-	-
	<u>2,729</u>	<u>3,426</u>

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

Group as lessor

The group companies are lessors under various agreements with rental receipts and receivables as below;

	2023 Shs'000	2022 Shs'000
Rent received	573	492
Rent receivable		
Within 1 year	431	375
Within 2-5 years	1,821	1,821
Over 5 years	4,811	3,801
	<u>7,063</u>	<u>5,997</u>



Notes to the consolidated financial statements (continued)

30. (a) Notes to the consolidated statement of cash flows

	Group	
	2023	2022
	Shs'000	Shs'000
(i) Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	762,145	768,057
Adjustment for:		
Defined benefit retirement scheme credit recognised in profit before tax (Note 7)	(8,168)	(9,567)
Employer's contributions to defined benefit retirement scheme (Note 24 (b))	(4,878)	(5,430)
Net exchange loss on bank loans and other borrowings (Note 30 (a)(ii))	24,678	(9,774)
Exchange loss on lease liability (Note 30 (a)(iii))	3,533	1,550
Finance costs (Note 8)	12,147	15,177
Interest receivable	(10,166)	(8,728)
Depreciation of property, plant and equipment (Note 6)	377,795	374,304
Depreciation of investment property (Note 6)	151	151
Depreciation of right of use asset (Note 6)	7,608	7,304
Fair value loss/(gain) on of biological assets (Note 13(a))	28,526	(170,920)
Gain on sale of property, plant and equipment (Note 6)	(1,109)	(13,543)
	<hr/>	<hr/>
Operating profit before working capital changes	1,192,262	948,581
Working capital changes		
- receivables and prepayments	16,318	(62,169)
- inventories	18,378	(247,913)
- payables and accrued expenses	(67,948)	(65,328)
- Staff retirement gratuity	31,408	16,004
	<hr/>	<hr/>
Net cash generated from operations	1,190,418	589,175
	<hr/> <hr/>	<hr/> <hr/>
(ii) Analysis of changes in bank loans and other borrowings (excluding bank overdrafts)		
At start of year	127,600	198,195
Interest expense on bank loans	1,809	2,987
Other borrowings interest expense	1,426	1,426
Exchange adjustments	24,678	(9,774)
Translation adjustment	2,662	3,033
Repayment of principal and interest	(74,863)	(68,267)
	<hr/>	<hr/>
At end of year	83,312	127,600
	<hr/> <hr/>	<hr/> <hr/>



Notes to the consolidated financial statements (continued)

30. (a) Notes to the consolidated statement of cash flows (continued)

	Group	
	2023	2022
	Shs'000	Shs'000
(iii) Analysis of changes in lease liability		
At start of year	35,609	40,220
Present value of future lease payments recognised	2,100	-
Payments during the year	(7,813)	(6,161)
Interest charge	3,497	3,699
Interest paid	(3,397)	(3,699)
Exchange adjustment	3,533	1,550
	<hr/>	<hr/>
At end of year	<u>33,529</u>	<u>35,609</u>



Notes to the consolidated financial statements (continued)

30. (b) Notes to the company statement of cash flows	Company	
	2023 Shs'000	2022 Shs'000
(i) Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	109,877	249,960
Adjustments for:		
Defined benefit retirement scheme credit recognised in profit before tax (Note 7)	(4,614)	(5,450)
Employer's contributions to defined benefit retirement scheme (Note 24(b))	(2,755)	(3,094)
Interest receivable	(9,282)	(7,444)
Finance costs (Note 8)	2,968	2,938
Depreciation of right of use asset (Note 6)	3,240	2,978
Depreciation of property, plant and equipment (Note 6)	64,510	74,848
Depreciation of investment properties (Note 6)	151	151
Gain on sale of property, plant and equipment	-	(8,324)
Fair value adjustment of sisal agricultural produce (Note 13)	518	(33,043)
Exchange loss on lease liability (Note 30(b)(ii))	3,533	1,550
	<hr/>	<hr/>
Operating profit before working capital changes	168,146	275,070
Working capital changes		
- receivables and prepayments	202,536	19,141
- inventories	56,700	(59,507)
- payables and accrued expenses	(242)	(96,638)
- Staff retirement gratuity	3,942	3,706
	<hr/>	<hr/>
Net cash generated from operations	431,082	141,772
	<hr/> <hr/>	<hr/> <hr/>
(ii) Analysis of changes in lease liability		
At start of year	17,326	18,017
Present value of future lease payments recognised	2,100	-
Payments during the year	(3,154)	(2,241)
Interest charge	1,542	1,512
Interest paid	(1,542)	(1,512)
Exchange adjustment	3,533	1,550
	<hr/>	<hr/>
At end of year	19,805	17,326
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Notes to the consolidated financial statements (continued)

31. Related party transactions

The parent company is REA Trading Limited which owns 96% 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.

Afchem Limited is controlled by Neil Cuthbert and family members. Fees charged to the company are comparable to market rates.

A director of a subsidiary company is a director of Chequered Flag Limited.

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

(i) Sales of goods and services

	Group	
	2023	2022
	Shs'000	Shs'000
Wigglesworth & Company Limited – UK		
Sale of sisal fibre and yarns	3,606,268	2,929,658
Afchem Limited – Management services	240	240
	3,606,508	2,929,898
	Company	
	2023	2022
	Shs'000	Shs'000
Wigglesworth & Company Limited – sisal fibre	813,036	651,366
Management services		
Amboni Plantations Limited	37,837	33,920
Amboni Spinning Mill Limited	4,360	7,099
Dwa Estate Limited	50,238	52,442
Wigglesworth Exporters Limited	525	525
Afchem Limited	240	240
	93,200	94,226



Notes to the consolidated financial statements (continued)

31. Related party transactions (continued)

(ii) Purchase of management and other services	Group	
	2023 Shs'000	2022 Shs'000
REA Trading Limited (consultancy services)	4,876	4,535
Chequered Flag Limited	324	344
	<hr/>	<hr/>
	5,200	4,879
	<hr/> <hr/>	<hr/> <hr/>
	Company	
	2023 Shs'000	2022 Shs'000
REA Trading Limited (consultancy services)	4,876	4,535
Wigglesworth Exporters Limited (management services)	8,889	7,152
Amboni Spinning Mill Limited - (sisal ropes)	14,507	7,854
Chequered Flag Limited	324	344
I & M Bank Limited (banking services)	120	-
	<hr/>	<hr/>
	28,716	19,885
	<hr/> <hr/>	<hr/> <hr/>
(iii) Payments on behalf of REA Trading Limited	Group and Company	
	2023 Shs'000	2022 Shs'000
	1,118	3,540
	<hr/> <hr/>	<hr/> <hr/>
(iv) Key management compensation	Group	
	2023 Shs'000	2022 Shs'000
Remuneration paid to directors and key management staff was as follows:		
Salaries and other short term benefits	236,312	171,400
Post employment benefits	5,050	5,316
Directors fees	9,437	7,726
	<hr/>	<hr/>
	250,799	184,442
	<hr/> <hr/>	<hr/> <hr/>



Notes to the consolidated financial statements (continued)

31. Related party transactions (continued)

(iv) Key management compensation (continued)

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

	Company	
	2023	2022
	Shs'000	Shs'000
Salaries and other short term benefits	175,388	112,366
Post-employment benefits	822	1,173
Directors fees	6,720	5,280
	182,930	118,819
	182,930	118,819

	Group	
	2023	2022
	Shs'000	Shs'000
(v) Outstanding balances		
Current receivables (Note 20)		
Wigglesworth & Company Limited – UK	233,823	305,334
Afchem Limited	69	23
REA Trading Limited – other	692	-
	234,584	305,357
	234,584	305,357
Current payables (Note 26)		
Wigglesworth & Company Limited - UK	12,189	12,341
Chequered Flag	-	5
	12,189	12,346
	12,189	12,346



Notes to the consolidated financial statements (continued)

31. Related party transactions (continued)

(v) Outstanding balances (continued)

	Company	
	2023	2022
	Shs'000	Shs'000
Current receivables (Note 20)		
Amounts due from group companies		
Amboni Plantations Limited	41,967	33,543
Wigglesworth Exporters Limited	7,957	1,965
Dwa Estate Limited	238,756	483,797
Amboni Spinning Mill Limited	7,680	1,459
	<u>296,360</u>	<u>520,764</u>
Amount due from related parties		
Wigglesworth & Company Limited – UK	73,820	63,814
Afchem Limited	69	23
REA Trading Limited – Other	692	-
	<u>74,581</u>	<u>63,837</u>
Current payables (Note 26)		
Amount due to related parties		
Wigglesworth & Company Limited – UK	1,846	2,329
Chequered Flag Limited	-	5
	<u>1,846</u>	<u>2,334</u>

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.



REA VIPINGO
PLANTATIONS

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 virtually on Wednesday 27th March 2024 and at any adjournment thereof.

Signature _____ Date _____ 2024

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 11.00 a.m. on Monday 25th March 2024.
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.

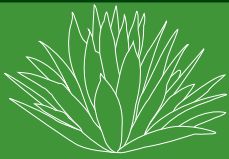
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*The Secretary
REA Vipingo Plantations Limited
P.O.Box 17648-00500
Nairobi
Kenya*

Third Fold and tuck in edge

First Fold



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Telephone: +254 (20) 6007091 Fax: +254 (20) 600 7116
Email: info@reavipingo.co.ke
www.reavipingo.com

