

**REA VIPINGO PLANTATIONS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2008**

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## **Company Information**

**Directors** The directors of the company are as follows:

- Oliver Fowler *Chairman*, non-executive, aged 56, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 30 years. He is a director of Nyara Tea Estate Limited.
- Neil Cuthbert *Managing*, aged 53, has been managing director since 2000 having previously been group general manager. He has had overall responsibility for the Kenya estates since the formation of the company and has worked for the REA group in Kenya since 1979.
- Richard Robinow Non-executive, aged 63, has been a director of R.E.A. Holdings plc since 1978 and chairman since 1984. After an initial career in investment banking, he has been involved in the plantation business since 1974. He is chairman of M P Evans Group plc and a non-executive director of Sipef SA. R.E.A. Holdings plc, M P Evans Group plc and Sipef SA are European public companies which own and operate plantations in various parts of the world.
- Stephen Waruhiu Independent non-executive, aged 54, is a licensed valuer and estate agent. He is the managing director of Lloyd Masika Limited and has been practising as a valuer and estate agent in Kenya and also in Tanzania and Uganda for 28 years.
- Brown Ondego Independent non-executive, aged 57, has extensive experience in the shipping industry. Whilst serving as managing director of Mackenzie Maritime Limited he was recruited to serve as managing director of Kenya Ports Authority, a position he held until 2005. He is currently executive chairman of Rift Valley Railways Limited and a non-executive director of Barclays Bank of Kenya Limited.

### **Secretary and registered office**

Ian Hodson,  
Certified Public Secretary (Kenya),  
Madison Insurance House, Upper Hill Close,  
P.O. Box 17648, Nairobi 00500

### **Registrars and transfer office**

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

### **Auditors**

Deloitte & Touche,  
Certified Public Accountants (Kenya),  
“Kirungii”, Ring Road, Westlands,  
P.O. Box 40092, Nairobi 00100

## **Notice of meeting**

Notice is hereby given that the fourteenth annual general meeting of the company will be held at Sarova Panafric Hotel, Valley Road, Nairobi on Friday 27 March 2009, at 10.00 a.m. for the following purposes:

1. Introduction

### **As ordinary business:**

2. To receive and consider the company's annual report and financial statements for the year ended 30 September 2008.
3. To approve the payment of a first and final dividend for the year ended 30 September 2008 of sh 0.20 per share payable on or about 15 June 2009 to shareholders registered at the close of business on 27 March 2009.
4. To elect directors in accordance with the company's Articles of Association.
5. To approve the directors' remuneration for the year ended 30 September 2008.
6. To note that Deloitte & Touche continue as auditors under the provisions of section 159(2) of the Companies Act.
7. To authorise the directors to negotiate the auditors' remuneration.

### **As special business**

8. To approve the acquisition by the company of Vipingo Estate Limited.

By order of the board

I R HODSON  
Secretary  
20 January 2009

Note:

Election of directors  
Article 82E states as follows:

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

## **Corporate governance**

Corporate governance is the process and structure used to direct and manage the business affairs of the Group Companies towards enhancing prosperity and corporate accounting with the ultimate objective of realising shareholders' long term value while taking into account the interests of other stakeholders.

The board is committed to ensuring compliance with all of those guidelines on corporate governance best practices as issued by the Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA) that are appropriate to the circumstances of the group and adherence generally to best practice in corporate governance. The directors acknowledge their responsibility for maintaining internal control systems to safeguard the assets of the group and ensure the reliability of financial information. Whilst these controls are considered to be appropriate to the circumstances of the group, they can only provide reasonable and not absolute assurance against material misstatement or loss.

### **Board of Directors**

The composition of the board is given on page 1 of this report. Four out of the five members of the board, including the chairman, are non-executive directors. This ensures that the decision-making process is objective and takes into account the rights and expectations of the body of shareholders as a whole. All of the non-executive directors have experience and expertise which is considered relevant to the requirements of the group. All directors, other than the managing director who is exempted, are required to retire and seek re-election once every three years. A director appointed during the year is required to retire and seek re-election at the next Annual General Meeting.

The board has delegated authority for the day-to-day operations of the group to the Managing Director and senior personnel. The principal responsibilities of the directors are to define the mission and strategy of the group and to ensure that the group complies with statutory and regulatory requirements and with its responsibilities to its shareholders. The full board meets at least twice a year for scheduled meetings and on other occasions as may be necessary to deal with specific matters that require attention between the scheduled meetings.

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

### **Committees of the Board**

There are three standing committees of the board with written terms of reference:

The Audit Committee comprises of Oliver Fowler, Richard Robinow and Stephen Waruhiu. Its principal responsibilities include reviewing of financial and other reports, agreeing the scope of the audit and subsequently reviewing the results of the audit, ensuring the independence of the auditors and reviewing the audit fee. The audit committee normally holds two formal meetings in each year, to which the auditor is invited. In addition, the committee consults by electronic means as may be necessary.

During the year an independent auditing organisation has carried out a detailed appraisal of the systems of internal control at all group operations and further appraisals and specific unannounced audits will be carried out periodically.

The Nomination Committee comprises of Oliver Fowler, Richard Robinow and Neil Cuthbert. It is responsible for the nomination of board candidates. The committee meets as and when required.

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

## ***Corporate governance (continued)***

### **Communication with shareholders**

An annual report is distributed to all shareholders at least 21 days prior to the annual general meeting. Other communications are distributed as necessary.

Annual and half yearly reports together with general information about the operations of the group, are available on the website, [www.reavipingo.com](http://www.reavipingo.com).

### **Directors' emoluments and loans**

The aggregate amount of emoluments paid to directors for services rendered during the financial year are disclosed in Note 7 to the financial statements. Remuneration to non-executive directors is approved by members at the annual general meeting. There were no directors' loans at any time during the financial year.

There are no long-term service contracts relating to the position of any director.

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

### **Employment and environmental practices**

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

The Board has issued and adopted policy statements relating to Health and Safety (H & S), HIV/AIDS and Employment Policies in general.

Health and Safety Committees, with equal representation from management and unionisable employees, are established on both of our Kenyan Estates and meet quarterly. The Kenyan Estates are subject to annual H & S audits in line with legislation.

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

The company is a signatory to the Code of Practice (COP) initiated by the Sisal Growers and Employers' Association. The COP defines standards relating to employment practices, health and safety standards, HIV/AIDS policies and environmental standards based on Kenyan legislation, international standards and generally accepted best practice.

## ***Corporate governance (continued)***

### **Corporate social responsibility**

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

All estates within the group have medical facilities for employees and their immediate dependants and on the larger estates these facilities include ward beds and laboratories. All medical facilities are manned by suitably qualified professionals and are stocked with a wide range of drugs. At Mwera in Tanzania, the group supports a government health centre which provides facilities to employees and their dependants.

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

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

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

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

## **Corporate governance (continued)**

### **Directors' interest**

The interest of the directors in the shares of the company at 30 September 2008 were as follows:

Name of director	Number of ordinary shares
Oliver Fowler	58,929
Neil Cuthbert	1,375,292
Richard Robinow	26,786

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

## Corporate governance (continued)

The ten largest shareholdings at the balance sheet date were:

Name	No of Shares	Percentage
REA Holdings plc	21,880,745	36.47%
REA Trading Limited	12,346,109	20.57%
Dyer & Blair Investment Bank Limited	1,506,800	2.51%
N.R. Cuthbert	1,375,292	2.29%
V.N. Morjaria	861,377	1.44%
Aly-Khan Satchu	811,400	1.35%
H.N. Ivuti	643,000	1.07%
Mamujee Brothers Foundation	587,907	0.98%
Prime Securities Investments Trust	529,278	0.88%
J.B. Emmett	515,678	0.86%
	41,057,586	68.42%
6,504 other shareholders	18,942,414	31.58%
	60,000,000	100.00%

### Distribution schedule

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
Less than 500	2,506	457,294	0.76%
500-5,000	3,481	5,392,737	8.99%
5,001-10,000	245	1,838,395	3.06%
10,001-100,000	244	6,057,773	10.10%
100,001-1,000,000	34	9,144,855	15.24%
Above 1,000,000	4	37,108,946	61.85%
	6,514	60,000,000	100.00%

### Shareholder profile

Kenyan individual shareholders	5,936	18,930,593	31.55%
Kenyan institutional shareholders	507	5,784,787	9.64%
Foreign individual shareholders	65	385,280	0.64%
Foreign institutional shareholders	6	34,899,340	58.17%
	6,514	60,000,000	100.00%

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

The year to 30 September 2008 was another satisfactory year for the company. Sisal fibre prices, which had been rising steadily for a number of years, increased quite substantially during the year with the result that, despite the strong Kenya shilling which prevailed for most of the year, turnover increased by 10% to Shillings 1.36 billion.

During the year the group continued to experience increases in operating expenses particularly in respect of fuel and electricity and, in Tanzania, labour wages also increased substantially following a Government revision of minimum wages.

Despite the major impact of the strong Kenya Shilling and increases in fuel and other costs, as well as slightly lower volumes, we managed to sustain profitability. Profit before tax, including a fair value gain on the acquisition of Vipingo Estate Limited of Shs. 66.34 million, increased by Shs. 59.43 million to Shs. 227.22 million.

After many years of growth in fibre volumes, the overall production of the group declined marginally by 2.7% during the year to 16,674 tonnes. The small reduction in volume was a result of lower production at the Vipingo estate which had a poor leaf position following the failure of the short rains. Volumes at the Dwa estate, and on the Tanzanian estates, were higher than have been achieved previously.

The Tanga spinning mill was busy throughout the year with good sales into both the local and export markets and overall production of spun product was 2,812 tonnes. Production of higher value fibre fine yarns increased. Despite substantial increases in costs, most notably sisal fibre, fuel and power, the mill produced a very satisfactory contribution.

During the year the company acquired the whole of the issued share capital of Vipingo Estate Limited. At the time of the formation of the company in 1995, approximately half of the land then owned by VEL was acquired by the company and, subsequently, VEL divested much of their remaining land. However, an area of approximately 330 hectares on which, by agreement with VEL, we have been cultivating sisal remained but with the acquisition of VEL, we now own. VEL also owns a number of small plots close to the Indian Ocean.

Regrettably the satisfactory picture presented in the preceding paragraphs has not continued into the current financial year and, in common with many export commodity businesses, the company is facing serious challenges. The problems in the world's financial markets and the resulting slow down in the global economy coincided more or less with the start of the new financial year. With the exception of fibre that we feed into our mill, and some mill product, all fibre and spun product that we produce is exported and therefore the group is directly effected by the global economic situation and the recession that now exists in most of the industrialised world.

It is, as I write, very difficult to predict where the market for sisal fibre will settle in terms of both price and volume but it is almost certain that, in the short term at least, there will be some adjustment. We are seeing a degree of destocking by some buyers as they review the effects of the slow down on their own businesses and, of course, in the expectation of lower prices.

The Tanga spinning mill is also affected by the current world economic situation and has been operating at a lower level of output since the start of the current financial year. Input prices for fibre to the mill, as well as petroleum based inputs, have reduced in cost but sale prices have had to be reduced and the market remains very competitive.

Whilst the prospects for the current year carry some uncertainties, the group does have very well developed estates and strong marketing arrangements, and I am confident that we shall be able to deal with the challenges that lie ahead. However, as a result of the need to preserve cash until it is clear how the market for our products will develop, your board feels that it would be prudent to take a more conservative approach to dividends at this time and recommends the payment of a first and final dividend of shs 0.20 per share.

***Chairman's statement (continued)***

Providing the estates receive reasonable rainfall during the remainder of this year, they have the potential to produce similar volumes of fibre as have been achieved in recent years. However, it is, as I have already said, most likely that the market will, to some extent, contract in the short term and therefore volumes for the current year will possibly be lower.

On a positive note, we must remember that sisal prices had reached an all time high before the downturn and the US Dollar, the currency in which we trade, is presently strong against all currencies, including the Kenyan and Tanzanian Shillings. It is to be hoped that the local currencies will remain relatively weak against the US Dollar and that the recent reductions in fuel and power costs will be sustained.

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

**OLIVER FOWLER**  
**CHAIRMAN**  
**20 January 2009**

## Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2008 and crops are stated for the whole year ended on that date and referred to as the 2008 crop year.

### Dwa

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

	Hectares
Mature sisal	2,917
Older sisal	793
Immature sisal	1,417
Nurseries	60
Other areas	3,803
	<hr/>
	8,990
	<hr/> <hr/>

Although Dwa suffered an extended period of drought during the middle part of the year, the estate entered the dry period with a very satisfactory leaf position. The drought did affect fibre quality towards the end of the year but, improved efficiencies on the estate resulted in volumes being maintained at a high level throughout the year. Total fibre baled during the year was 6,419 tonnes (2007 – 6,318 tonnes).

The estate continues to have a very good leaf position and, although the November rains have been well below average, has the potential to produce at a high level again during the current year providing satisfactory rain is received in April.

The majority of the annual planting at Dwa is carried out prior to the November rains, historically the more reliable in the area, and some 599 hectares were planted in 2007/2008.

### Vipingo

The Vipingo estate is situated on the Kenya coast, some 30 kilometres north of Mombasa. The estate covers an area of 3,950 hectares made up as follows:

	Hectares
Mature sisal	1,769
Older sisal	767
Immature sisal	806
Nurseries	81
Other areas	527
	<hr/>
	3,950
	<hr/> <hr/>

## ***Review of operations (continued)***

### **Vipingo (continued)**

The November rains failed at Vipingo and, unfortunately, the estate entered the unexpected dry period with an unsatisfactory leaf position. As a result of the poor leaf availability, production, particularly during the first half of the year, had to be curtailed and overall the volume of fibre produced during the year was well below expectations. Total fibre production was 4,079 tonnes (2007 – 5,529 tonnes).

The leaf position at Vipingo has improved and, providing a more normal rainfall pattern is experienced this year, the estate has the potential to achieve higher volumes again.

Planting at Vipingo is carried out prior to the May rains and some 403 hectares were planted in 2008.

## **Review of operations (continued)**

### **Amboni Plantations Limited**

The Amboni estates comprise two separate properties, Mwera and Sakura estates, situated adjacent to each other on the Tanzanian coast some 60 kms south of Tanga. The estates cover an area of 10,870 hectares made up as follows:

	Hectares
Mature sisal	2,394
Older sisal	899
Immature sisal	1,204
Nurseries	60
Other areas	6,313
	<hr/>
	10,870
	<hr/>

The total rainfall recorded on the Tanzanian estates was below average but, fortunately, the distribution was good and the estates were able to take advantage of a good leaf position, improved labour availability and increased factory capacity. Fibre production exceeded 3,000 tonnes on each of the two estates for the first time and total production was 6,176 tonnes (2007 – 5,290 tonnes).

Leaf availability remains satisfactory, particularly at Sakura estate, and given a normal rainfall pattern, the Tanzanian group has the potential to continue to produce at a high level.

Planting on the Tanzanian estates is mainly carried out prior to the May rains and a total of 373 hectares was planted in 2007/2008.

### **Amboni Spinning Mill Limited**

The Tanga spinning mill, situated on the outskirts of Tanga town had a good year with a total production of 2,812 tonnes (2007 - 3,043 tonnes) of spun products. Sales into both the export and local markets were good throughout the year with the result that the mill was able to produce consistently at a high level. Despite substantial increases in fibre prices, fuel, power and packaging, the mill produced a satisfactory return for the year.

The current year, as a result of the slow down in the global economy, is, however, proving to be much more of a challenge. Sales volumes during the first quarter are significantly lower and pricing is under considerable pressure. On a positive note, fibre prices have reduced, as have certain other input costs, and the exchange rate has improved, but overall it is expected that volumes will be lower and margins tighter this year.

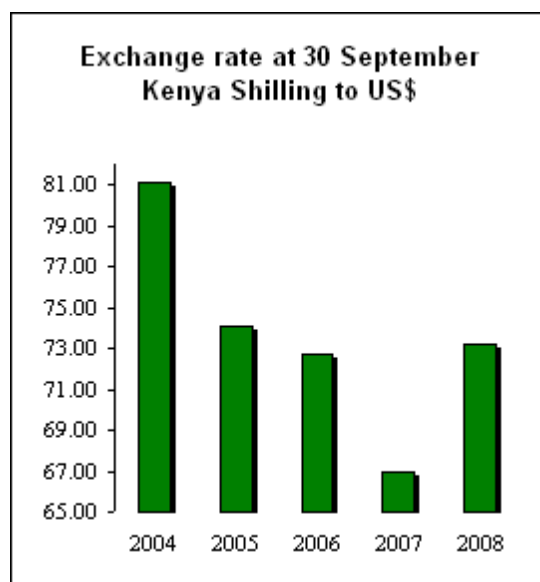
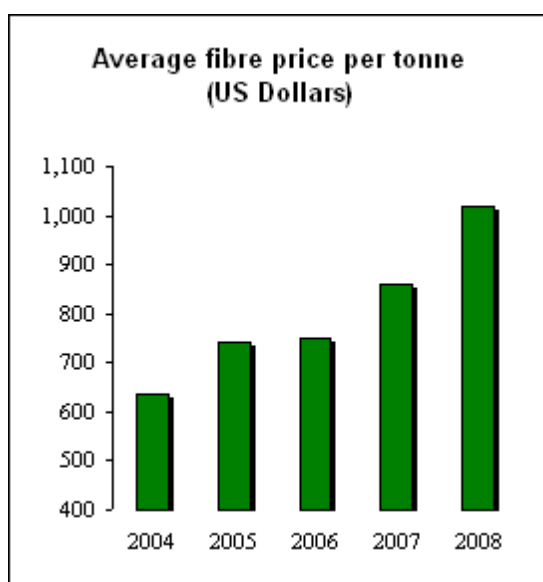
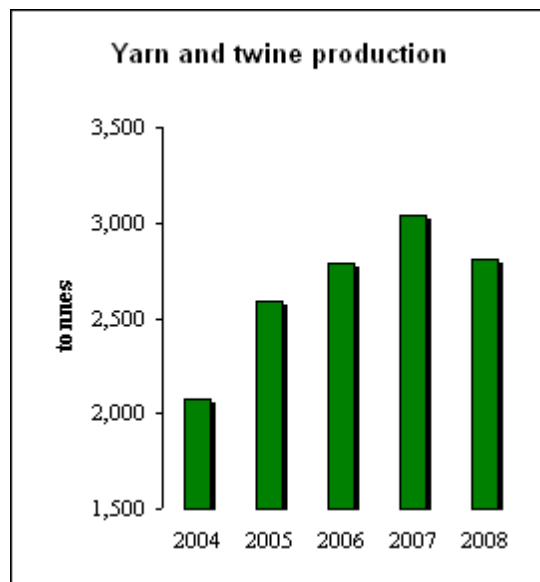
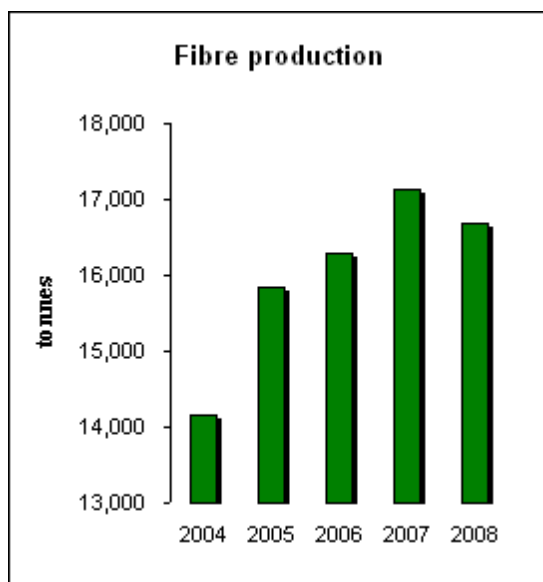
### **Marketing**

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 & Co, and this arrangement continued through the year to 30 September 2008. Wigglesworth & Co, which is a leading international sisal merchant, continued to develop the existing traditional markets for the group products and to exploit further the developing niche markets for the quality fibre and yarns that the group is able to produce.

## Review of operations (continued)

### Group statistical information

Total sisal fibre production declined by 3% to 16,674 tonnes and spun product production also declined by 8% to 2,812 tonnes. The average price of sisal fibre increased by approximately \$150 per tonne.



## **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 2008 which disclose the state of affairs of the group and the company.

### **Incorporation and registered office**

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of the registered office is shown on page 1.

### **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 of sisal and the production of sisal fibre and twines.

### **Results and dividend**

The group profit for the year of Shs 168,153,000 has been added to revenue reserves.

The directors recommend the payment of a first and final dividend for the year ended 30 September 2008 of Shs 0.20 per share amounting to Shs 12,000,000 (2007: Shs 0.80 per share amounting to Shs 48,000,000).

### **Directors**

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

O M Fowler	Kenyan	(chairman)
N R Cuthbert	British	(managing)
R M Robinow	British	
M arap Sang	Kenyan	retired 26 September 2008
S N Waruhiu	Kenyan	
B M M Ondego	Kenyan	appointed 26 September 2008

### **Auditors**

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

By order of the Board

I R HODSON  
Secretary  
20 January 2009

## ***Statement of directors' responsibilities***

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

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

N R Cuthbert

*Director*

O M Fowler

*Director*

20 January 2009

# ***INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REA VIPINGO PLANTATIONS LIMITED***

## **Report on the Financial Statements**

We have audited the accompanying financial statements of REA Vipingo Plantations Limited and its subsidiaries set out on pages 18 to 67 which comprise the consolidated and parent company balance sheets as at 30 September 2008, and the consolidated income statement, consolidated and parent company statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

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

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

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

## **Opinion**

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 30 September 2008 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

***INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
REA VIPINGO PLANTATIONS LIMITED (CONTINUED)***

**Report on Other Legal Requirements**

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

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

Certified Public Accountants (Kenya)

20 January 2009  
**Nairobi**

**Consolidated income statement**

	Notes	2008 Shs'000	2007 Shs'000
<b>Turnover</b>	5	1,356,427	1,232,980
Fair value of sisal leaf harvested		421,153	415,297
Sisal leaf processing income		538,569	457,029
Gain arising from changes in fair value of biological assets	14	16,266	12,441
Income from sisal cultivation	6	975,988	884,767
Income from manufacture and services		329,904	304,760
<b>Operating income</b>		1,305,892	1,189,527
Cost of sales		(733,987)	(653,470)
<b>Gross Profit</b>		571,905	536,057
Other operating income		7,908	4,843
Distribution costs		(60,295)	(55,130)
Administrative expenses		(330,680)	(285,191)
Other operating expenses		(3,186)	(3,466)
Fair value gain on acquisition of subsidiary	16	66,344	-
Finance costs – net	9	(24,777)	(29,328)
<b>Profit before tax</b>	7	227,219	167,785
Tax	10	(59,066)	(52,483)
<b>Profit for the year</b>		168,153	115,302
<b>Comprising:</b>			
Profit arising from operating activities		98,099	106,593
Profit arising from changes in fair value of biological assets		11,386	8,709
Net fair value gain on acquisition of subsidiary		58,668	-
		168,153	115,302
Earnings per share - basic and diluted	11	Shs 2.80	Shs 1.92
Proposed dividend per share	12	Shs 0.20	Shs 0.80

**Consolidated balance sheet**

	Notes	2008 Shs'000	2007 Shs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	334,843	297,561
Biological assets	14	327,786	293,527
Prepaid operating lease rentals	15	139,707	102,057
Investment in unquoted shares	18	15,251	-
Deferred tax assets	24	23,074	762
		840,611	693,907
<b>Current assets</b>			
Inventories	19	339,118	249,437
Receivables and prepayments	20	260,492	208,657
Tax recoverable	10 (b)	4,492	7,320
Cash and cash equivalents	21	187,251	7,264
		791,353	472,678
<b>Total assets</b>		1,631,964	1,166,585
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	22	300,000	300,000
Share premium		84,496	84,496
Translation deficit		(54,149)	(99,997)
Revenue reserves		544,819	424,666
<b>Shareholders' funds</b>		875,166	709,165
<b>Non-current liabilities</b>			
Borrowings	23	32,730	14,990
Deferred tax liabilities	24	107,370	91,139
Post employment benefit obligations	25	62,258	53,897
		202,358	160,026
<b>Current liabilities</b>			
Payables and accrued expenses	26	122,374	101,698
Tax payable	10 (b)	16,010	4,202
Borrowings	23	416,056	191,494
		554,440	297,394
<b>Total equity and liabilities</b>		1,631,964	1,166,585

The financial statements on pages 18 to 67 were approved for issue by the board of directors on 20 January 2009 and signed on its behalf by:

N R Cuthbert

*Director*

O M Fowler

*Director*

## Company balance sheet

	Notes	2008 Shs'000	2007 Shs'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	130,080	121,345
Biological assets	14	46,043	52,751
Prepaid operating lease rentals	15	17,307	17,325
Investment in subsidiaries	17	582,470	202,329
Deferred tax asset	24	22,327	-
		798,227	393,750
<b>Current assets</b>			
Inventories	19	65,307	49,160
Receivables and prepayments	20	97,567	121,314
Tax recoverable	10 (b)	1,331	1,321
Cash and cash equivalents	21	17,300	4,539
		181,505	176,334
<b>Total assets</b>		979,732	570,084
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	22	300,000	300,000
Share premium		84,496	84,496
Translation deficit		(17,115)	(27,512)
Revenue reserves		32,396	64,698
<b>Shareholders' funds</b>		399,777	421,682
<b>Non-current liabilities</b>			
Borrowings	23	12,347	12,839
Deferred tax	24	-	4,007
Post employment benefit obligations	25	33,107	29,340
		45,454	46,186
<b>Current liabilities</b>			
Payables and accrued expenses	26	262,481	35,605
Borrowings	23	272,020	66,611
		534,501	102,216
<b>Total equity and liabilities</b>		979,732	570,084

The financial statements on pages 18 to 67 were approved for issue by the board of directors on 20 January 2009 and signed on its behalf by:

N R Cuthbert

*Director*

O M Fowler

*Director*

**Consolidated statement of changes in equity**

	Share capital Shs'000	Share premium Shs'000	Translation deficit Shs'000	Revenue Reserves			Total Shs'000
				Biological assets fair value Shs'000	Other Shs'000	Total Shs'000	
<b>Year ended 30 September 2007</b>							
At start of year	300,000	84,496	(89,488)	68,680	288,684	357,364	652,372
Foreign exchange translation	-	-	(10,509)	-	-	-	(10,509)
Profit for the year	-	-	-	8,709	106,593	115,302	115,302
Dividend paid for 2006	-	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(99,997)	77,389	347,277	424,666	709,165
<b>Year ended 30 September 2008</b>							
At start of year	300,000	84,496	(99,997)	77,389	347,277	424,666	709,165
Foreign exchange translation	-	-	45,848	-	-	-	45,848
Profit for the year	-	-	-	11,386	156,767	168,153	168,153
Dividend paid for 2007	-	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(54,149)	88,775	456,044	544,819	875,166

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



**Company statement of changes in equity**

	Share capital Shs'000	Share premium Shs'000	Translation deficit Shs'000	Revenue Reserves			Total Shs'000
				Biological assets fair value Shs'000	Other Shs'000	Total Shs'000	
<b>Year ended 30 September 2007</b>							
At start of year	300,000	84,496	(24,488 )	(262 )	73,980	73,718	433,726
(Loss)/profit for the year	-	-	-	(9,949 )	48,929	38,980	38,980
Foreign exchange translation on long term loan to subsidiary	-	-	(3,024 )	-	-	-	(3,024 )
Dividend paid – 2006	-	-	-	-	(48,000 )	(48,000 )	(48,000 )
At end of year	300,000	84,496	(27,512 )	(10,211 )	74,909	64,698	421,682
<b>Year ended 30 September 2008</b>							
At start of year	300,000	84,496	(27,512 )	(10,211 )	74,909	64,698	421,682
Profit for the year	-	-	-	(4,696 )	20,394	15,698	15,698
Foreign exchange translation on long term loan to subsidiary	-	-	10,397	-	-	-	10,397
Dividend paid – 2007	-	-	-	-	(48,000 )	(48,000 )	(48,000 )
At end of year	300,000	84,496	(17,115 )	(14,907 )	47,303	32,396	399,777

The translation deficit represents the cumulative position of the conversion of the long term loan to a subsidiary company to the reporting currency.

## Consolidated cash flow statement

	Notes	2008 Shs'000	2007 Shs'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	147,616	139,447
Interest received		18	19
Interest paid		(20,303)	(21,119)
Tax paid		(56,559)	(36,438)
		<hr/>	<hr/>
Net cash generated from operating activities		70,772	81,909
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(75,548)	(56,281)
Proceeds from disposals of property, plant and Equipment		4,381	2,983
Cash outflow on acquisition of subsidiary		(1,868)	-
		<hr/>	<hr/>
Net cash used in investing activities		(73,035)	(53,298)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings		48,588	22,583
Proceeds from short-term borrowings		199,452	-
Repayment of long-term borrowings		(43,655)	(55,548)
Repayment of short-term borrowings		(14,280)	-
Dividend paid		(48,000)	(48,000)
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		142,105	(80,965)
		<hr/>	<hr/>
<b>Increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at start of year		(146,318)	(96,227)
Effects of exchange rate changes		1,098	2,263
		<hr/>	<hr/>
Cash and cash equivalents at end of year	21	(5,378)	(146,318)
		<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 Companies Act as a public limited liability company and is domiciled in Kenya. The address of the registered office is:

Madison Insurance House  
Upper Hill Close  
P.O. Box 17648-00500  
Nairobi  
Kenya

The principal activities of the company and its subsidiaries (the group) are described in note 17.

### **2 Accounting policies**

#### **Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

#### **Basis of preparation**

The financial statements are 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 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. It also requires the directors to exercise judgement in the process of applying the group's accounting policies. 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.

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

### **2 Accounting policies (continued)**

#### **Adoption of new and revised International Financial Reporting Standards**

##### *Standards and interpretations effective in the current period*

In the current year, the group has adopted IFRS 7 – Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007 and the consequential amendments to IAS 1 – Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital.

The following interpretation issued by the International Financial Reporting Interpretations Committee became effective for the current period.

##### IFRIC 11 – IFRS 2: Group and Treasury Share Transactions

The adoption of this interpretation did not result in any change to the group's accounting policies.

##### *Standards, amendments to published standards and interpretations not yet effective*

At the date of approval of these financial statements, the following new standard, amendments to existing standards and interpretations were in issue but had not been early adopted by the group.

IAS 1 (Revised) – Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009).

IFRS 8 – Operating Segments (effective for accounting periods beginning on or after 1 January 2009).

IAS 16 (Revised) – Property, Plant and Equipment (effective for accounting periods beginning on or after 1 January 2009).

IAS 19 (Revised) – Employee Benefits (effective for accounting periods beginning on or after 1 January 2009).

IAS 23 (Revised) – Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009).

IAS 36 (Revised) – Impairment of Assets (effective for accounting periods beginning on or after 1 January 2009).

IAS 38 (Revised) – Intangible Assets (effective for accounting periods beginning on or after 1 January 2009).

IAS 39 (Revised) – Financial Instruments: Recognition and Measurement (effective for accounting periods beginning on or after 1 January 2009).

IAS 41 (Revised) – Agriculture (effective for accounting periods beginning on or after 1 January 2009).

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

### **2 Accounting policies (continued)**

IFRS 3 Revised) – Business Combinations (effective for accounting periods beginning on or after 1 July 2009).

IFRS 5 (Revised) – Non-current Assets Held for Sale and Discontinued Operations (effective for accounting periods beginning on or after 1 July 2009).

IAS 27 (Amended) – Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009).

IFRIC 12 – Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008).

IFRIC 13 – Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008).

IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008).

IFRIC 15 – Agreements for Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008).

IFRIC 17 – Distributions of Non-cash Assets to owners (effective for accounting periods beginning on or after 1 July 2009).

The directors do not anticipate that the adoption of these standards and interpretations will have any material impact on the financial statements of the group in the period of initial application.

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

### **2. Accounting policies (continued)**

#### **Consolidation**

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

Acquisitions of subsidiaries by the group are accounted for using the purchase 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, plus any costs directly attributable to the business combination. 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 the income statement.

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 converted into the functional currency at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into the functional currency at rates ruling at that date. The resulting differences arising from conversion and translation are dealt with in the income statement in the year in which they arise.

##### *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) income statements of foreign subsidiaries are translated into the group's presentation currency at average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used.
- b) assets and liabilities of foreign subsidiaries are translated into the group's presentation currency at rates ruling at the year end.
- c) the resulting exchange differences are recognised as a separate component of equity (translation reserve).

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

### **2. Accounting policies (continued)**

#### **Segmental Reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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

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

#### **Revenue recognition**

Turnover is recognised upon the delivery of products and acceptance by the customers and are stated net of VAT, where applicable, and discounts.

#### **Inventories**

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

Consumable stores are stated at weighted average cost. Provision is made for obsolete stocks.

#### **Property, plant and equipment**

All property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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

Freehold land is not depreciated.

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

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

### **2 Accounting policies (continued)**

#### **Biological assets**

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated point of sale costs. Gains and losses arising on the initial recognition of biological assets and from subsequent changes in fair value less estimated point-of-sale costs are recognised in the income statement in the accounting period in which they arise.

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

#### **Impairment**

At each balance sheet date, 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**

Leases of property, plant and equipment where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. All other leases are classified as operating leases. Finance leases are capitalised at the lower of their fair value and the estimated present value of the underlying lease payment. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Payments made under operating leases are charged to the income statement on the straight-line basis over the period of the lease.

#### **Leasehold Land**

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

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

### **2 Accounting policies (continued)**

#### **Taxation**

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 balance sheet date.

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 balance sheet date 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 is provided on temporary differences arising from investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

#### **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

#### **Retirement benefit obligations**

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

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

During the year the group established a defined contribution retirement benefit scheme for future eligible non-unionisable employees. The scheme's assets are held in a separate trustee-administered fund which is funded by contributions from both the group and employees. The group has no further 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 Funds in the countries of operation, which are statutory defined contribution schemes. The group's obligations under these schemes are legislated from time to time.

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

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

### **2. Accounting policies (continued)**

#### **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 balance sheet date.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet 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 the income statement.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument constituting such assets and liabilities.

##### *Trade receivables*

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts. Bad debts are written off in the period in which they are identified as irrecoverable.

##### *Cash and cash equivalents*

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

##### *Investments*

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

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

##### *Bank borrowings*

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

### **2 Accounting policies (continued)**

#### **Financial instruments (continued)**

##### *Trade payables*

Trade payables are stated at their nominal value.

#### **Share Capital**

Ordinary shares are classified as equity.

#### **Borrowings**

Borrowings are initially recorded at fair value, net of 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 the income statement 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 balance sheet date.

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

### **2 Accounting policies (continued)**

#### **Provisions**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, 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 balance sheet date, 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 policies

There are no critical judgements, apart from those involving estimations (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 financial statements.

(b) Key sources of estimation uncertainty

#### *Biological assets*

In determining the fair value of biological assets, the group uses the present value of expected cash flows from the asset discounted at a current market determined pre tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. The group considers this in determining an appropriate discount rate to be used and in estimating net cash flows. Management uses estimates based on historical data relating to yields and market prices of sisal fibre. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed to reduce any differences between estimates and actual experience. The significant assumptions are set out in note 14.

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

#### **3. Critical accounting judgements and key areas of estimation uncertainty (continued)**

##### *Property, plant and equipment*

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

##### *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.

##### *Contingent liabilities*

The group is exposed to various contingent liabilities in the normal course of business. The directors evaluate the status of these exposures on a regular basis to assess the probability of the group incurring related liabilities. However, provisions are only made in the financial statements where, based on the director's evaluation, a present obligation has been established.

## Notes to the consolidated financial statements (continued)

### 4. Financial risk management

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

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

Categories of financial instruments	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
<b>Financial assets</b>				
Receivables including cash and cash equivalents	447,743	215,921	114,867	125,853
<b>Financial liabilities</b>				
Loans and payables excluding deferred tax and post employment benefits obligation.	571,160	308,182	546,848	115,055
<b>Equity instruments</b>				
Issued and fully paid up ordinary share capital	300,000	300,000	300,000	300,000

#### Market risk

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

#### Foreign exchange risk

Sales of sisal fibre, yarn and twine are undertaken primarily in United States Dollars on terms agreed by forward contract. 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 therefore converted into local currencies on an ongoing basis. The group does not normally enter into forward foreign exchange contracts for the conversion of foreign currency into local currency.

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)**

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Group</b>				
US Dollars	323,788	117,329	261,143	30,923
Sterling Pound	-	-	9,764	10,000
	<hr/>	<hr/>	<hr/>	<hr/>
	323,788	117,329	270,907	40,923
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Company</b>				
US Dollars	29,165	49,953	304,356	25,646
	<hr/>	<hr/>	<hr/>	<hr/>

## 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 against foreign currencies, primarily the United States Dollar.

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

	US Dollar Impact		Pound Sterling Impact	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
<b>Group</b>				
Profit or loss	3,132(i)	4,320 (i)	(488) (ii)	(500) (ii)
<b>Company</b>				
Profit or loss	(13,760) (iii)	1,215(i)	-	-

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

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

## Notes to the consolidated financial statements (continued)

### 4 Financial risk management (continued)

#### *Interest rate risk*

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

#### *Interest rate sensitivity analysis*

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

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

<b>Group</b>		<b>Company</b>	
<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
4,488	2,065	2,844	795

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

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

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

<b>Group</b>	<b>Fully performing Shs'000</b>	<b>Past due Shs'000</b>	<b>Impaired Shs'000</b>
<b>2008</b>			
Cash and cash equivalents	187,251	-	-
Trade receivables	3,416	1,393	-
Related party receivables	157,452	-	-
Others	98,231	-	-
	<hr/>	<hr/>	<hr/>
Total	446,350	1,393	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>2007</b>			
Cash and cash equivalents	7,264	-	-
Trade receivables	9,762	886	-
Related party receivables	110,102	-	-
Others	87,907	-	-
	<hr/>	<hr/>	<hr/>
Total	215,035	886	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**4 Financial risk management (continued)**

*Credit risk (continued)*

**Company**

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
<b>2008</b>			
Cash and cash equivalents	17,300	-	-
Trade receivables	276	298	-
Related party receivables	69,574	-	-
Others	27,419	-	-
	<hr/>	<hr/>	<hr/>
Total	114,569	298	-
	<hr/>	<hr/>	<hr/>
<b>2007</b>			
Cash and cash equivalents	4,539	-	-
Trade receivables	1,450	206	-
Related party transactions	89,249	-	-
Others	30,409	-	-
	<hr/>	<hr/>	<hr/>
Total	125,647	206	-
	<hr/>	<hr/>	<hr/>

## Notes to the consolidated financial statements (continued)

### 4 Financial risk management (continued)

#### Credit risk (continued)

Cash and cash equivalents are fully performing.

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

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

No amounts are considered to be impaired.

#### Liquidity risk

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

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

	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
<b>Group</b>				
At 30 September 2008				
Borrowings	416,056	19,580	13,150	-
Trade and other payables	122,374	-	-	-
	<hr/>			
Total financial liabilities	538,430	19,580	13,150	-
	<hr/>			
At 30 September 2007				
Borrowings	191,494	11,133	3,857	-
Trade and other payables	101,698	-	-	-
	<hr/>			
Total financial liabilities	293,192	11,133	3,857	-
	<hr/>			

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

**4 Financial risk management (continued)**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>Company</b>				
At 30 September 2008				
Borrowings	272,020	9,528	2,819	-
Trade and other payables	262,481	-	-	-
	<hr/>			
Total financial liabilities	534,501	9,528	2,819	-
	<hr/>			
At 30 September 2007				
Borrowings	66,611	8,982	3,857	-
Trade and other payables	35,605	-	-	-
	<hr/>			
Total financial liabilities	102,216	8,982	3,857	-
	<hr/>			

## 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	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Amounts utilised	404,853	206,484	240,435	79,451
Amounts unutilised	72,030	41,018	29,937	5,762
	<hr/>	<hr/>	<hr/>	<hr/>
Total available facilities	476,885	247,502	270,372	85,213
	<hr/>	<hr/>	<hr/>	<hr/>

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	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
	1,175,966	1,152,480	979,732	570,084
	<hr/>	<hr/>	<hr/>	<hr/>

#### Defined benefit retirement scheme obligations

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

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 may affect future net assets and results of operations.

## 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.

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

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

The gearing ratio at the balance sheet date was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Total borrowings	448,786	206,484	284,367	79,450
Cash and cash equivalents	(187,251)	(7,264)	(17,300)	(4,539)
Net borrowings	261,535	199,220	267,067	74,911
Total equity	875,166	709,165	399,777	421,682
Net borrowings to equity ratio	30%	28%	67%	10%

## Notes to the consolidated financial statements (continued)

### 5 Segment information

#### (a) Business segments

The group is organised into two principal business segments:

- Sisal – cultivation of sisal and production of sisal fibre
- Spinning and services – conversion of sisal fibre into yarns and twines and other related services.

	Sisal Shs'000	Spinning and services Shs'000	Total Shs'000
<b>Year ended 30 September 2008</b>			
Sales revenue	1,026,524	329,904	1,356,427
Profit before tax	200,219	27,000	227,219
Segment assets	1,444,038	160,360	1,604,398
Segment liabilities	591,380	42,038	633,418
<b>Year ended 30 September 2007</b>			
Sales revenue	928,220	304,760	1,232,980
Profit before tax	150,833	16,952	167,785
Segment assets	1,035,729	122,774	1,158,503
Segment liabilities	325,333	36,746	362,079

#### (b) Geographical segments

The group operations consist of two main geographical segments:

- Kenya
- Tanzania

	Kenya Shs'000	Tanzania Shs'000	Total Shs'000
<b>Year ended 30 September 2008</b>			
Sales revenue	745,351	611,076	1,356,427
Profit before tax	142,077	85,142	227,219
Segment assets	1,063,311	541,087	1,604,398
Segment liabilities	536,938	96,480	633,418
<b>Year ended 30 September 2007</b>			
Sales revenue	733,165	499,815	1,232,980
Profit before tax	100,072	67,713	167,785
Segment assets	717,241	441,262	1,158,503
Segment liabilities	284,504	77,575	362,079

Segment assets and liabilities exclude all assets and liabilities relating to deferred and current tax.

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

**6 Reconciliation of revenue from sale of sisal fibre to operating income in respect of sisal cultivation**

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Revenue from sale of sisal fibre	1,026,524	928,220
Fair value adjustment of biological assets (Note 14)	16,266	12,441
Net increase in actual costs of biological assets	(113,450)	(91,479)
Net increase in sisal fibre stocks at fair value	46,648	35,585
	<hr/>	<hr/>
Operating income in respect of sisal cultivation	975,988	884,767
	<hr/> <hr/>	<hr/> <hr/>

**7 Profit before tax**

The profit before tax is arrived at after charging:

Depreciation on property, plant and equipment (Note 13)	52,446	49,343
Amortisation of leasehold land (Note 15)	119	119
Operating lease payments	5,419	5,703
Staff costs (Note 8)	432,143	371,749
Auditors' remuneration - group	4,980	4,500
- company	1,500	1,500
Directors' remuneration - fees	998	876
- for management services	30,754	28,278
Company:		
- fees	998	976
- for management services	16,805	15,692
Profit on disposal of property, plant and equipment	(4,055)	(2,408)
	<hr/> <hr/>	<hr/> <hr/>

**8 Staff costs**

Salaries and wages	378,220	322,933
Social security costs	17,110	11,525
Pension contributions – defined benefit scheme	5,334	5,004
Pension contributions – defined contribution scheme	157	-
Gratuity and other terminal benefits	13,162	17,129
Medical	18,160	15,158
	<hr/>	<hr/>
	432,143	371,749
	<hr/> <hr/>	<hr/> <hr/>

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

9 Finance costs – net	Group	
	2008 Shs'000	2007 Shs'000
Interest income	(18)	(19)
Net foreign exchange losses	4,492	8,228
Interest expense	20,303	21,119
	<u>24,777</u>	<u>29,328</u>

**10 Tax**

**(a) Tax charge**

Current tax	72,141	49,465
Deferred tax (credit)/charge (Note 24)	(13,075)	3,018
	<u>59,066</u>	<u>52,483</u>

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

	Group	
	2008 Shs'000	2007 Shs'000
Profit before tax	<u>227,219</u>	<u>167,785</u>
Tax calculated at the domestic rates applicable to profits in the countries concerned	68,166	50,335
Tax effect of:		
Income not subject to tax	(10,515)	-
Expenses not deductible for tax purposes	4,414	3,150
(Overprovision)/underprovision of deferred tax in prior year	(3,070)	243
Underprovision/(overprovision) of current tax in prior year	71	(1,245)
Tax charge	<u>59,066</u>	<u>52,483</u>

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

**10 Tax (continued)**

**(b) Tax movement**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
At beginning of year	(3,118)	(16,595)	(1,321)	(4,460)
Acquisition of subsidiary	(801)	-	-	-
Current year charge/(credit)	72,141	49,465	(2)	3,139
Tax paid	(56,559)	(36,438)	(8)	-
Translation adjustment	(145)	450	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	11,518	(3,118)	(1,331)	(1,321)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balances at year end</b>				
Tax recoverable	(4,492)	(7,320)	(1,331)	(1,321)
Tax payable	16,010	4,202	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(11,518)	(3,118)	(1,331)	(1,321)
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the consolidated financial statements (continued)

### 11 Earnings per share

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

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
Profit for the year (Shs '000)	168,153	115,302
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	2.80	1.92

There were no potentially dilutive ordinary shares outstanding at 30 September 2008 and at 30 September 2007. Diluted earnings per share is therefore the same as basic earnings per share.

### 12 Dividends

At the annual general meeting to be held on 27 March 2009, a first and final dividend in respect of the year ended 30 September 2008 of Shs 0.20 (2007: Shs 0.80) per share amounting to a total of Shs 12,000,000 (2007: Shs 48,000,000) is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for East African residents and 10% for other overseas shareholders.

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

**13 Property, plant and equipment**

**Group**

	<b>Freehold land Shs'000</b>	<b>Buildings Shs'000</b>	<b>Plant and machinery Shs'000</b>	<b>Work in progress Shs'000</b>	<b>Total Shs'000</b>
<b>Cost</b>					
At 1 October 2006	49,500	85,235	426,530	4,152	565,417
Additions	-	128	35,396	20,757	56,281
Transfers	-	11,700	8,880	(20,580)	-
Disposals	-	-	(9,373)	-	(9,373)
Translation adjustment	-	(395)	(5,997)	(148)	(6,540)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	49,500	96,668	455,436	4,181	605,785
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 October 2007	49,500	96,668	455,436	4,181	605,785
Additions	-	4,058	52,568	18,922	75,548
Transfers	-	8,922	-	(8,922)	-
Disposals	-	-	(12,666)	-	(12,666)
Translation adjustment	-	2,025	25,429	1,248	28,705
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2008	49,500	111,673	520,767	15,429	697,369
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 October 2006	-	10,666	259,574	-	270,240
Charge for the year	-	1,642	47,701	-	49,343
Eliminated on disposals	-	-	(8,797)	-	(8,797)
Translation adjustment	-	(37)	(2,525)	-	(2,562)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	-	12,271	295,953	-	308,224
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 October 2007	-	12,271	295,953	-	308,224
Charge for the year	-	1,970	50,476	-	52,446
Eliminated on disposals	-	-	(12,340)	-	(12,340)
Translation adjustment	-	192	14,004	-	14,196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2008	-	14,433	348,093	-	362,526
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book amount</b>					
At 30 September 2008	49,500	97,240	172,674	15,429	334,843
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2007	49,500	84,397	159,483	4,181	297,561
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**13 Property, plant and equipment (continued)**

Included in property, plant and equipment are assets with an original cost of Shs 179,880,000 (2007: Shs 161,051,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 32,503,000 (2007: Shs 29,134,000).

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

**13 Property, plant and equipment (continued)**

**Company**

	<b>Freehold land Shs'000</b>	<b>Buildings Shs'000</b>	<b>Plant and machinery Shs'000</b>	<b>Work in progress Shs'000</b>	<b>Total Shs'000</b>
<b>Cost</b>					
At 1 October 2006	45,000	29,278	129,330	496	204,104
Transfers	-	4,873	325	(5,198)	-
Additions	-	128	12,661	7,724	20,513
Disposals	-	-	(5,374)	-	(5,374)
At 30 September 2007	45,000	34,279	136,942	3,022	219,243
At 1 October 2007	45,000	34,279	136,942	3,022	219,243
Additions	-	640	24,933	1,585	27,158
Transfers	-	3,840	-	(3,840)	-
Disposals	-	-	(4,811)	-	(4,811)
At 30 September 2008	45,000	38,759	157,064	767	241,590
<b>Depreciation</b>					
At 1 October 2006	-	5,257	82,134	-	87,391
Charge for the year	-	489	15,392	-	15,881
Eliminated on disposals	-	-	(5,374)	-	(5,374)
At 30 September 2007	-	5,746	92,152	-	97,898
At 1 October 2007	-	5,746	92,152	-	97,898
Charge for the year	-	685	17,412	-	18,097
Eliminated on disposals	-	-	(4,485)	-	(4,485)
At 30 September 2008	-	6,431	105,079	-	111,510
<b>Net book amount</b>					
At 30 September 2008	45,000	32,328	51,985	767	130,080
At 30 September 2007	45,000	28,533	44,790	3,022	121,345

Included in property, plant and equipment are assets with an original cost of Shs 48,363,000 (2007:Shs 49,444,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 9,072,000 (2007:Shs 9,443,000).

Based on an impairment review performed by the directors at 30 September 2008, no indications of impairment of property, plant and equipment were identified. (2007:none).

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

**14 Biological Assets**

**Sisal plants and nurseries**

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Carrying amount at start of year	293,527	288,004	52,751	66,964
Loss arising from changes in fair value attributable to physical changes	(123,487)	(74,158)	(12,197)	(37,882)
Gain/(loss) arising from changes in fair value attributable to price changes of sisal fibre	103,994	175,035	(1,811)	55,870
Gain/(loss) arising from changes in fair value attributable to changes in exchange rate	35,759	(88,436)	7,300	(32,201)
Net fair value gain/(loss)	16,266	12,441	(6,708)	(14,213)
Translation adjustment	17,943	(6,918)	-	-
Carrying amount at end of year	327,736	293,527	46,043	52,751

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

- Sisal plants will have an average productive life of 8 years.
- Future production and sales estimates are based on budgets approved by the directors and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- The expected market price of sisal fibre will remain constant based on the average price realised over a number of years.
- A discount rate of between 15% to 20% per annum is applied to the anticipated net cash flows arising from the asset. The costs of production and point of sale costs used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors.
- Based on the biological transformation which sisal plants undergo, 42% of fair value is assigned to the regeneration of sisal leaf.

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

**15 Prepaid operating lease rentals**

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	102,057	102,194	17,325	17,344
Amortisation	(119)	(119)	(18)	(19)
Translation adjustment	59	(18)	-	-
Acquisition of subsidiary (Note 16)	37,710	-	-	-
	<u>139,707</u>	<u>102,057</u>	<u>17,307</u>	<u>17,325</u>

The group holds various leasehold land titles which are amortised over the period of the lease, the remaining periods of which range from 53 years to over 900 years.

**16 Business combination**

On 26 September 2008, the group acquired 100 per cent of the issued share capital of Vipingo Estate Limited for a total consideration of Shs 369,702,000.

The net assets of Vipingo Estate Limited at the date of acquisition were as follows:

	Fair value	Acquirees's carrying amount
	Shs'000	Shs'000
Prepaid operating lease rentals	37,710	12,123
Investment in unquoted shares	15,251	15,251
Receivables from vendors	206,089	206,089
Other receivables	15,054	15,054
Taxation asset	801	801
Payables	(605)	(605)
Cash and cash equivalents	161,746	161,746
	<u>436,046</u>	<u>410,459</u>
Net assets acquired	436,046	410,459
Cost of acquisition	369,702	
	<u>66,344</u>	
Fair value gain on acquisition	66,344	
Deferred tax on fair value gain	7,676	
	<u>58,668</u>	
Net fair value gain	58,668	
Cost of acquisition:		
Cash consideration	163,613	
Assignment of receivables from vendor	206,089	
	<u>369,702</u>	
Total cost of acquisition	369,702	

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

**16 Business combination (continued)**

	<b>Shs'000</b>
Cash outflow on acquisition	
Cash consideration	163,613
Cash and cash equivalents acquired	161,746
	<hr/>
Cash outflow on acquisition	1,868
	<hr/>

**17 Investment in subsidiaries**

	<b>Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Shares in subsidiaries at cost	503,919	134,175
Long term receivable from subsidiary	78,551	68,154
	<hr/>	<hr/>
	582,470	202,329
	<hr/> <hr/>	<hr/> <hr/>

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

<b>Company</b>	<b>Share capital Shs'000</b>	<b>Country of incorporation</b>	<b>Principal activity</b>
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
Vipingo Estate Limited	Kshs 10,000	Kenya	Property holding

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

The company has resolved to transfer the entire issued share capital of Dwa Estate Limited to Vipingo Estate Limited. The purchase consideration will be the net carrying value of the assets and liabilities of Dwa Estate Limited at 30<sup>th</sup> September 2008. A Share Purchase Agreement to give effect to this transaction had not been signed at the date of approval of these Financial Statements. A payment of \$2,234,052 was made by Vipingo Estate Limited on 3<sup>rd</sup> October 2008 pending final settlement.

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

**18 Investment in unquoted shares**

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>
1,000 shares in Vipingo Beach Limited at cost	15,251	-
	<u>15,251</u>	<u>-</u>

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>19 Inventories</b>				
Sisal fibre at fair value	162,874	107,864	41,303	32,189
Finished goods at cost	27,653	16,203	-	-
Finished goods at net realisable value	1,336	7,658	-	-
Stores and raw materials at cost less provision	147,255	117,712	24,004	16,971
	<u>339,118</u>	<u>249,437</u>	<u>65,307</u>	<u>49,160</u>

**20 Receivables and prepayments**

Trade receivables	4,809	10,648	574	1,656
Prepayments	13,188	11,990	3,173	4,266
Amounts due from related parties	157,452	110,102	29,231	50,033
Amounts due from group companies	-	-	40,343	39,216
VAT recoverable	60,161	71,260	23,743	24,776
Other receivables	24,882	4,657	503	1,367
	<u>260,492</u>	<u>208,657</u>	<u>97,567</u>	<u>121,314</u>

**21 Cash and cash equivalents**

Cash at bank and in hand	187,251	7,264	17,300	4,539
	<u>187,251</u>	<u>7,264</u>	<u>17,300</u>	<u>4,539</u>

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

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Cash and bank balances as above	187,251	7,264
Bank overdrafts (Note 23)	(192,629)	(153,582)
	<u>(5,378)</u>	<u>(146,318)</u>

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

<b>22</b>	<b>Share capital</b>	<b>Number of shares (Thousands)</b>	<b>Ordinary shares Shs'000</b>
	<b>Authorised, issued and fully paid</b>		
	Balance at 1 October 2006, 1 October 2007 and 30 September 2008	60,000	300,000

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

<b>23</b>	<b>Borrowings</b>	<b>Group</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
		<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
	Total borrowings	448,786	206,484	284,367	79,450
	Less: current portion	(416,056)	(191,494)	(272,020)	(66,611)
	Non-current portion	32,730	14,990	12,347	12,839
	The borrowings are made up as follows:				
	<b>Non-current</b>				
	Bank loans	32,730	14,990	12,347	12,839
	<b>Current</b>				
	Bank overdrafts	192,629	153,582	60,213	48,267
	Bank loans	179,495	37,912	167,875	18,344
	Related party (Note 30)	43,932	-	43,932	-
		416,056	191,494	272,020	66,611
	Total borrowings	448,786	206,484	284,367	79,450

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

**23 Borrowing (continued)**

Analysis of borrowings by currency

<b>Group</b>	<b>Borrowings in Kshs Shs'000</b>	<b>Borrowings in Tshs Shs'000</b>	<b>Borrowings in USD Shs'000</b>	<b>Total Shs'000</b>
<b>2008</b>				
Bank overdrafts	107,041	30,608	54,980	192,629
Bank loans	55,764	2,699	153,762	212,225
Related party loan	-	-	43,932	43,932
	<u>162,805</u>	<u>33,307</u>	<u>252,674</u>	<u>448,786</u>
<b>2007</b>				
Bank overdrafts	99,202	29,741	24,639	153,582
Bank loans	41,924	10,978	-	52,902
	<u>141,126</u>	<u>40,719</u>	<u>24,639</u>	<u>206,484</u>
<b>Company</b>				
	<b>Borrowings in Kshs Shs'000</b>	<b>Borrowings in USD Shs'000</b>	<b>Total Shs'000</b>	
<b>2008</b>				
Bank overdrafts	28,674	31,539	60,213	
Bank loans	26,460	153,762	180,222	
Related party loan	-	43,932	43,932	
	<u>55,134</u>	<u>229,233</u>	<u>284,367</u>	
<b>2007</b>				
Bank overdrafts	23,873	24,394	48,267	
Bank loans	31,183	-	31,183	
	<u>55,056</u>	<u>24,394</u>	<u>79,450</u>	

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

The related party loan relates to an unsecured loan of US\$800,000 received from Wigglesworth & Company Limited. Interest on the loan is charged at 2.75% above the US Federal Reserve Rate. The loan is to be repaid in 4 monthly instalments of US\$200,000. In accordance with the agreement, the first repayment instalment was made on 30<sup>th</sup> September 2008.

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

**23 Borrowings (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	11.5%	10.1%	10.0%	9.5%
-bank loans – Kshs	11.0%	9.6%	10.0%	9.5%
-bank overdrafts – Tshs	11.0%	12.50%	-	-
-bank loans – Tshs	12.7%	13.0%	-	-
-bank overdrafts – US\$	5.9%	7.1%	6.4%	7.1%
- bank loans – US\$	6.4%	-	6.4%	-
- related party – US\$	4.7%	-	4.7%	-

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Maturity of non-current loans				
Between 1 and 2 years	19,580	11,133	9,528	8,982
Between 2 and 5 years	13,150	3,857	2,819	3,857
	<u>32,730</u>	<u>14,990</u>	<u>12,347</u>	<u>12,839</u>

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

**24 Deferred tax**

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2007: 30%). The movement on the deferred tax account is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	90,377	89,985	4,007	9,083
Income statement charge/(credit) (Note 10)	(13,075)	3,018	(26,334)	(5,076)
Translation adjustment	6,994	(2,626)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	84,296	90,377	(22,327)	4,007
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Deferred tax assets	(23,074)	(762)	(22,327)	-
Deferred tax liabilities	107,370	91,139	-	4,007
	<hr/>	<hr/>	<hr/>	<hr/>
	84,296	90,377	(22,327)	4,007
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**24 Deferred tax (continued)**

Deferred tax (assets)/liabilities in the balance sheet and deferred tax charge/(credit) in the income statement, are attributable to the following items:

**Group**

	1.10.2007	Charged/ (credited) to income statement	Translation adjustment	30.9.2008
	Shs'000	Shs'000	Shs'000	Shs'000
<b>Deferred tax liabilities</b>				
Property, plant and equipment	33,512	2,109	2,598	38,219
Biological assets	88,058	4,881	5,383	98,322
Agricultural produce	3,136	(3,136)	-	-
Acquisition of subsidiary	-	7,676	-	7,676
	124,706	11,530	7,981	144,217
<b>Deferred tax assets</b>				
Provisions	(34,329)	(2,808)	(987)	(38,124)
Tax losses carried forward	-	(21,797)	-	(21,797)
	(34,329)	(24,605)	(987)	(59,921)
<b>Net deferred tax liability</b>	90,377	13,075	6,994	84,296

**Company**

	1.10.2007	Charged/ (credited) to income statement	30.9.2008
	Shs'000	Shs'000	Shs'000
<b>Deferred tax liabilities</b>			
Property, plant and equipment	6,061	849	6,910
Biological assets	15,825	(2,012)	13,813
Agricultural produce	1,647	(1,647)	-
	23,533	(2,810)	20,723
<b>Deferred tax assets</b>			
Provisions	(19,526)	(1,727)	(21,253)
Tax losses	-	(21,797)	(21,797)
	(19,526)	(23,524)	(43,050)
<b>Net deferred tax liability/(asset)</b>	4,007	(26,334)	(22,327)

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

25 Post employment benefit obligations	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
<b>Post employment benefit obligations comprise:</b>				
(a) Staff retirement gratuity	62,193	53,832	33,064	29,297
(b) Defined benefit scheme liability	65	65	43	43
	<u>62,258</u>	<u>53,897</u>	<u>33,107</u>	<u>29,340</u>

(a) Staff retirement gratuity

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

	Group		Company	
	2008	2007	2008	2007
At start of year	53,832	42,069	29,297	23,396
Charged to profit and loss account	11,781	15,255	6,309	8,465
Utilised during year	(4,048)	(3,463)	(2,542)	(2,564)
Translation adjustment	628	(29)		-
	<u>62,193</u>	<u>53,832</u>	<u>33,064</u>	<u>29,297</u>

(b) Defined benefit scheme

The group operates a final salary defined benefit pension scheme for certain employees. The assets of the scheme are held in a separate trustee administered fund. The pension cost to the group is assessed in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years. The next full valuation is due on 1 January 2010.

The amount recognised in the balance sheet is determined as follows:

	2008 Shs'000	2007 Shs'000
Present value of funded obligations	82,855	73,117
Fair value of scheme assets	(81,231)	(70,483)
	<u>1,624</u>	<u>2,634</u>
Net under funding in funded plan	1,624	2,634
Unrecognised actuarial loss	(1,559)	(2,569)
	<u>65</u>	<u>65</u>
Net liability in the balance sheet	65	65

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

**25 Post employment benefit obligations (continued)**

The amounts recognised in the income statement are determined as follows:

	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Current service cost net of employees' contributions	3,573	2,824
Interest on obligation	7,437	6,619
Expected return on plan assets	(7,260)	(6,304)
Net actuarial loss recognised in the year	1,584	1,865
	<hr/>	<hr/>
Net charge for the year included in staff costs	5,334	5,004
Contributions paid	(5,334)	(5,004)
	<hr/>	<hr/>
Movement in the liability recognised in the balance sheet	-	-
	<hr/> <hr/>	<hr/> <hr/>

The principal actuarial assumptions used were as follows:

	<b>2008</b>	<b>2007</b>
- discount rate	10%	10%
- expected rate of return on scheme assets	10%	10%
- future salary increases	8%	8%
- future pension increases	0%	0%
	<hr/> <hr/>	<hr/> <hr/>

The defined benefit pension scheme was closed to new entrants during the course of the year and the group established a defined contribution retirement benefit scheme for future eligible non-unionisable employees. The group contributed Shs 157,000 to this scheme during the year (2007: nil) which has been charged to the income statement.

The group also makes contributions to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 September 2008, the group contributed Shs 17,110,000 (2007:Shs 11,525,000) which has been charged to the income statement.

**26 Payables and accrued expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Trade payables	62,258	49,515	20,065	16,750
Amounts due to related parties (Note 30)	14,607	11,908	3,366	1,252
Amounts due to group companies	-	-	221,062	2,087
Provision for leave pay	15,259	14,379	6,818	6,399
Accrued expenses	22,184	19,439	7,289	5,684
Other payables	8,066	6,457	3,881	3,433
	<hr/>	<hr/>	<hr/>	<hr/>
	122,374	101,698	262,481	35,605
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the consolidated financial statements (continued)

### 27 Contingent liabilities

There are ongoing legal claims for specific damages which have been brought against a subsidiary/company by former employees. Based upon legal opinions received, the directors do not anticipate that these claims will result in significant losses to the company.

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

### 28 Commitments

#### Capital commitments

Commitments for capital expenditure at the balance sheet date which were not recognised in the financial statements were:

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Authorised and contracted for	9,073	16,838	-	10,141
	<hr/>	<hr/>	<hr/>	<hr/>

#### Operating lease commitments

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

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Not later than 1 year	3,904	5,184	1,106	2,519
Between 2 and 5 years	7,235	11,084	241	1,758
	<hr/>	<hr/>	<hr/>	<hr/>
	11,139	16,268	1,347	4,277
	<hr/>	<hr/>	<hr/>	<hr/>

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

<b>29 Note to the cash flow statement</b>	<b>2008 Shs'000</b>	<b>2007 Shs'000</b>
Reconciliation of profit before tax to cash generated from operations:		
Profit before tax	227,219	167,785
Adjustments for:		
Finance costs recognised in the profit for the year	24,777	29,328
Depreciation (Note 13)	52,446	49,343
Fair value adjustment of biological assets (Note 14)	(16,266)	(12,441)
Amortisation of prepaid operating lease rentals (Note 15)	119	119
Profit on sale of property, plant and equipment	(4,055)	(2,408)
Net foreign exchange losses (Note 9)	(4,492)	(8,228)
Fair value gain on acquisition of subsidiary (Note 16)	(66,344)	-
	<hr/>	<hr/>
Operating profit before working capital changes	213,404	223,498
Working capital changes:		
- receivables and prepayments	(23,820)	(63,252)
- inventories	(64,747)	(49,085)
- payables and accrued expenses	15,046	16,494
- post employment benefit obligations	7,733	11,792
	<hr/>	<hr/>
Cash generated from operations	147,616	139,447
	<hr/>	<hr/>

**30 Related party transactions**

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

East African Forestry Limited, REA Services Limited, REA Trading Limited and Wigglesworth & Co Limited are related parties by virtue of their connection with the Robinow family.

Afchem Limited ceased to be a related party on 30<sup>th</sup> November 2007.

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

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

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

**30 Related party transactions (continued)**

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

<b>i) Sales of goods and services</b>	<b>Group</b>	<b>2007</b>
	<b>2008</b>	<b>2007</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Sale of sisal fibre and yarns Wigglesworth & Company Limited	1,150,393	1,046,662
Management services Afchem Limited	120	720
<b>ii) Purchase of management and legal services</b>		
Kaplan & Stratton	735	185
REA Services Limited	-	153
REA Trading Limited	2,849	2,576
	3,584	2,914
<b>iii) Interest paid</b>		
Wigglesworth & Company Limited	1,808	812
<b>iv) Key management compensation</b>		
Remuneration paid to directors and key management staff was as follows:		
Salaries and other benefits	48,966	43,650
<b>iv) Outstanding balances</b>		
Current receivables		
Afchem Limited	-	80
Wigglesworth & Company Limited	157,386	110,022
East African Forestry Limited	66	-
	157,452	110,102
Current payables		
Wigglesworth & Company Limited – current account	14,607	11,908
Wigglesworth & Company Limited - loan	43,932	-
	58,539	11,908

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

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

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