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Company Information

Directors

The directors of the company are as follows:

Oliver Fowler

Chairman, non-executive, aged 60, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 30 years. He was raised on a tea plantation in Limuru, of which he was a director until 2009.

Neil Cuthbert

Managing, aged 57, 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 67, has been a director of R.E.A. Holdings plc since 1978 and chairman since 1984. After an initial career in investment banking, he has been involved in the plantation business since 1974. He is a non-executive director of Sipef SA and M P Evans Group plc. R.E.A. Holdings plc, M P Evans Group plc and Sipef SA are European public companies which own and operate plantations in various parts of the world.

Stephen Waruhiu

Independent non-executive, aged 58, is a licensed valuer and estate agent. He is the managing director of Lloyd Masika Limited and has been practising as a valuer and estate agent in Kenya and also in Tanzania and Uganda for over 30 years. He is a non-executive director of Kakuzi Limited.

Brown Ondego

Independent non-executive, aged 61, has extensive experience in the shipping industry. Whilst serving as managing director of Mackenzie Maritime Limited he was recruited to serve as managing director of Kenya Ports Authority, a position he held until 2005. He is currently executive vice-chairman of Rift Valley Railways Limited and a non-executive director of Barclays Bank of Kenya Limited.

Secretary and registered office

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

Registrars and transfer office

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

Principal Bankers

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

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

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

Independent auditor

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

Advocates

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

Notice of meeting

Notice is hereby given that the eighteenth annual general meeting of the company will be held at Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Wednesday 27 March 2013, 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 2012.

3. To approve the payment of a first and final dividend for the year ended 30 September 2012 of Sh 1.10 per share payable on or about 7 June 2013 to shareholders registered at the close of business on 27 March 2013.

4. To elect directors in accordance with the company's Articles of Association.

5. To approve the directors' remuneration for the year ending 30 September 2013.

6. To note that Deloitte & Touche continue as auditors under the provisions of section 159(2) of the Kenyan Companies Act.

7. To authorise the directors to negotiate the auditors' remuneration.

By order of the board

I R HODSON
Secretary
14 January 2013

Note:

Election of directors
Article 82E states as follows:

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

Corporate governance

The board of REA Vipingo Plantations Limited is committed to the principle that the company and its subsidiary companies should operate with integrity and ethics and maintain high standards of financial reporting and corporate governance in order to increase long term value for all shareholders. The Board believes that the company has complied with the Nairobi Securities Exchange Continuing Listing Requirements and the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya.

Board of Directors

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

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

The 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 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, each with its own separate written terms of reference.

Audit Committee

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 external auditor is invited. In addition, the committee consults by electronic means as may be necessary.

An independent auditing organisation is engaged to carry out appraisals of the systems of internal control at all group operations and specific unannounced audits.

Nomination Committee

The Nomination Committee comprises of Oliver Fowler, Richard Robinow and Neil Cuthbert. It makes recommendations to the board relating to the appointment of directors.

Directors are appointed on the basis that the board should provide a broad range of experience and expertise relevant to the requirements of the group,

Corporate governance *(Continued)*

Committees of the Board *(Continued)*

whilst taking into consideration the need to represent the interests of all shareholders. The committee meets as and when required.

Remuneration Committee

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.

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.

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

Directors' emoluments and loans

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

The employment terms of the managing director are defined by a service contract.

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

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

Employment and environmental practices

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

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

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

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

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

Corporate governance *(Continued)*

Employment and environmental practices *(Continued)*

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

Corporate social responsibility

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

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

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

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

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

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

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

Directors' interest

The interest of the directors in the shares of the company at 30 September 2012 were as follows:

Name of director	**Number of ordinary shares**	
	2012	2011
Oliver Fowler	58,929	58,929
Neil Cuthbert	2,346,992	1,821,992
Richard Robinow	26,786	26,786

In addition, companies controlled by the Robinow family and their subsidiary and associated companies own 34,226,854 shares in the company (2011: 34,226,854 shares).

Corporate governance *(Continued)*

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

Name	No of Shares	Percentage
REA Holdings plc	21,880,745	36.47%
REA Trading Limited	12,346,109	20.57%
N.R. Cuthbert	2,346,992	3.91%
Standard Chartered Nominees Account 9532	1,058,700	1.76%
CFC Stanbic Nominees Account R93201	1,000,000	1.67%
Shardaben Vithandas Morjaria	863,377	1.44%
Dinker & Harbala Waghmarare	688,000	1.15%
Mamujee Brothers Foundation	687,907	1.15%
Prime Securities Investments Trust	529,278	0.88%
Hyder Printers Limited	500,000	0.83%
	41,901,108	69.83%
6,137 other shareholders	18,098,892	30.17%
	60,000,000	100.00%

Distribution schedule

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
1-500	2,545	432,622	0.72%
501-5,000	3,119	4,745,520	7.91%
5,001-10,000	220	1,646,310	2.74%
10,001-100,000	225	5,291,495	8.82%
100,001-1,000,000	34	10,251,507	17.09%
Above 1,000,000	4	37,632,546	62.72%
	6,147	60,000,000	100.00%

Shareholder profile

Local individual shareholders	5,641	18,776,018	31.29%
Local institutional shareholders	438	4,708,271	7.85%
Foreign individual shareholders	61	1,777,571	2.96%
Foreign institutional shareholders	7	34,738,140	57.90%
	6,147	60,000,000	100.00%

Chairman's statement

Although the group did not reach the record levels of profitability achieved during the previous year, the year to 30th September 2012 was, nevertheless, a rewarding one with a profit before tax of Ksh 555.30 million. Overall fibre volumes produced were almost exactly the same as in the previous year at 19,504 tonnes, which, given some of the challenges we faced, is a satisfactory result.

In particular, our Tanzanian estates faced a number of operational difficulties during the year, most notably a shortage of labour and an inconsistent and erratic electricity supply. The shortage of labour was an acute problem that resulted in the estates falling short of their production potential by around 10 per cent.

Considerable resources were applied to the recruitment of labour from western Tanzania and wages were increased materially during the course of the year. As a result, we are, today, in a much more comfortable position and producing more or less to our potential. Labour is, however, to a large degree "nomadic" in Tanzania and the availability of adequate labour is likely to remain a challenge to us in the future.

The Kigombe estate, which was acquired by the group in late 2010, produced acceptable results although the costs of rehabilitating the factory proved to be more than had been anticipated.

Our Tanga spinning mill was busy throughout the year and produced a total of 2,767 tonnes, much in line with the production of the previous year. Sales into the international market, which is increasingly more competitive, reduced but we were able to increase volumes into the local and regional markets. Overall the mill has produced a reasonable return for the group.

The sisal fibre market, which has been firm for a number of years, continued to strengthen during the year and prices reached near record levels. We were also successful in growing our sales volumes into some of the premium markets with the result that turnover increased by shs 456 million to shs 2.57 billion. Against this, operating costs were materially higher than in the previous year with the result that profit before tax for the group declined by shs 123 million to shs 555 million. It should be noted that the reported profit before tax includes a fair value gain resulting from the application of International Accounting Standard (IAS) 41 – Agriculture of shs 88 million compared to a fair value gain of shs 153 million the previous year. Members are reminded that fair value gains do not represent cash profits.

The higher level of operating costs reflected general levels of inflation in both Kenya and Tanzania and, specifically, in the latter case, significantly higher labour and energy costs. The electricity supply from the Tanzanian grid has been, and continues to be, very poor and this means we have had to use generators for extended periods at all locations which, with the prevailing high price of diesel, pushes up our energy costs. Other factors that contributed to the increased operating costs were the higher borrowing costs incurred during the year and increased costs of shipping through the Port of Mombasa.

Chairman's statement *(Continued)*

The vegetable project at Dwa is maturing well and the satellite farm developed over the past 18 months on leased land on the Athi River near to Dwa is now producing good volumes.

The group is investigating, in co-operation with a large European utility company, the viability of establishing at Vipingo a wind energy generation facility. The investigations into this potential project are at a preliminary stage and it may be sometime before we will have a clear view as to whether or not it will be worth pursuing.

Whilst the sisal fibre market remains at a remunerative level, the volatility of the global economy is having some impact upon certain of our markets and it is difficult to predict how this will evolve during 2013. Given this uncertainty and the climatic and other risks that are inherent in all agricultural businesses, your directors believe that it would be imprudent to increase further the dividend level which was significantly increased in the previous year. Accordingly, the directors recommend the payment of a maintained first and final dividend in respect of the year ended 30 September 2012 of shs 1.10 per share.

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
14 January 2013

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2012 and crops are stated for the whole year ended on that date and referred to as the 2012 crop year.

Dwa

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

	Hectares
Mature sisal	3,290
Older sisal	289
Immature sisal	1,462
Nurseries	74
Other areas	3,775
Horticulture	100
	8,990

Unlike much of East Africa, Dwa had a particularly dry year with below average total rainfall. The November rains were fair but the March/April rains were very poor and virtually no rainfall was recorded between early April and the end of the financial period.

Despite the harsh growing conditions, overall fibre baled on the estate was 6,918 tonnes, (2011-7,057 tonnes). Fibre quality during the second half of the financial period did, as expected, decline and a large volume of sub- standard fibre was produced.

A new brush room was commissioned during the year and an additional baling press installed with the result that the estate now has sufficient factory capacity to operate consistently at over 7,000 tonnes per annum.

The annual replant at Dwa is carried out, in the main, prior to the November rains, historically the more reliable in the area and, during 2012, some 500 ha of new sisal was planted. With 535 ha planted in 2011, Dwa now has a large immature area.

Following the drought conditions mentioned above, the estate entered the current financial period badly in need of rain. The rains during the period October to December 2012 have not been particularly good but, what has been received has been sufficient to improve leaf quality and stimulate new growth and it is expected that the estate will operate more or less normally through until the April rains. With such a dry year in 2012, and less than average rainfall so far this season, the estate needs to have reasonable rains in April in order for it to produce good volumes of quality fibre during the second half of the 2013 financial year.

Horticulture

The horticulture project at Dwa is restricted by water availability for its further development and, during the year under review, the main focus was on the further development of water resources. Dwa is a dry area with limited water resources and so efforts have been concentrated on the recycling of waste water from the sisal factory. Considerable progress was achieved and, by financial year end, the estate was recovering almost 70% of its waste water and channelling this to the horticulture section. In addition the estate is now harvesting a good deal of the rain water from the factory and workshop roofs.

The main crop from the Dwa irrigation pivot continues to be baby corn but some higher value crops are now also planted and it is expected that these will, from 2013-2014 , produce a higher contribution.

Review of operations *(Continued)*

Dwa *(Continued)*

In parallel to the Dwa horticulture operations, a 130 acre plot was leased in late 2011 on the Athi River near Dwa. This green field project is now fully operational and planted up, largely with baby corn, to the capacity of the irrigation system installed.

It is planned that horticulture operations will be consolidated during the current year and there are no immediate plans for further expansion.

Vipingo

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

	Hectares
Mature sisal	1,891
Older sisal	342
Immature sisal	915
Nurseries	86
Other areas	1,045
	4,279

Vipingo had a good rainfall distribution during the financial period with the result that the estate enjoyed a satisfactory leaf position throughout the year. A total of 4,988 tonnes (2011 – 5,207 tonnes) was baled during the year, almost exactly to expectations.

The November 2012 rains have not been particularly good but again distribution has been fair and, with a good leaf position at the beginning of the year, and given a normal rainfall pattern during the middle of 2013, Vipingo can be expected to produce to budget in the 2013 financial year.

Planting at Vipingo is carried out, in the main, prior to the April rains and during 2012 some 399 ha was planted. The replant was much larger than normal and it is expected that the enhanced planting will enable the estate to reach a production of slightly in excess of 5,000 tonnes per annum on a consistent basis sooner than if the normal replant of 250 ha to 300 ha per annum was carried out.

Amboni Plantations Limited

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

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

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

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

	Hectares
Mature sisal	3,631
Older sisal	1,477
Immature sisal	1,099
Nurseries	95
Other areas	8,534
	14,836

Review of operations *(Continued)*

Amboni Plantations Limited *(Continued)*

After a number of years of below average rainfall, the Tanzanian estates have now had two years of reasonable rains and the estates had, as a result, a good leaf position and adequate water for the factories throughout the 2012 financial year.

The major challenge for the group in Tanzania has been, and continues to be, a shortage of labour and a very poor electricity supply and, during the year, the former problem did result in the group producing less fibre than was planned, particularly at the Mwera and Sakura estates. The Kigombe estate, which has a much smaller planted area, did, however, produce more or less as expected and overall production in Tanzania was 7,598 tonnes (2011 – 7,276 tonnes).

Poor and inconsistent mains power supply necessitates the use of expensive standby generators at all locations on a regular, almost daily, basis.

The labour situation has, as a result of aggressive recruitment and increased incentives, improved in recent months to the extent that the estates are presently producing more or less to their potential. Provided this situation continues, and the April 2013 rains are satisfactory, it is expected that volumes will be slightly better during the current financial period.

Replanting in Tanzania is largely done prior to the April rains and in 2012 a total of 451 hectares was planted.

Amboni Spinning Mill Limited

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

The international market continues to be very competitive and as a consequence of this sales volumes declined during the year and are expected to remain at a lower level for the foreseeable future. Demand for basic yarn in the local and regional markets has, however, been strong and, as a result, the mill has been busy throughout the past 18 months or so and produced a total of 2,767 tonnes (2011 – 2,774 tonnes) during the financial period under review.

Provided volumes and prices can be maintained in the regional markets, the mill should continue to make a reasonable contribution.

Marketing

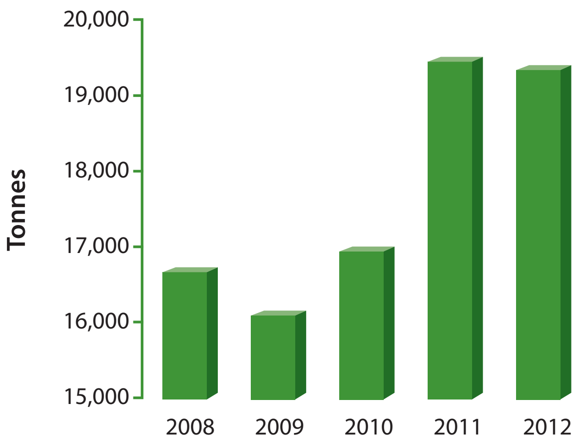
Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Company Limited, and this arrangement continued through the year to 30 September 2012. Wigglesworth & Company Limited, which is a leading international sisal merchant, continued to develop the existing traditional markets for the group products and to exploit further the developing niche markets for the quality fibre and yarns that the group is able to produce.

Review of operations *(Continued)*

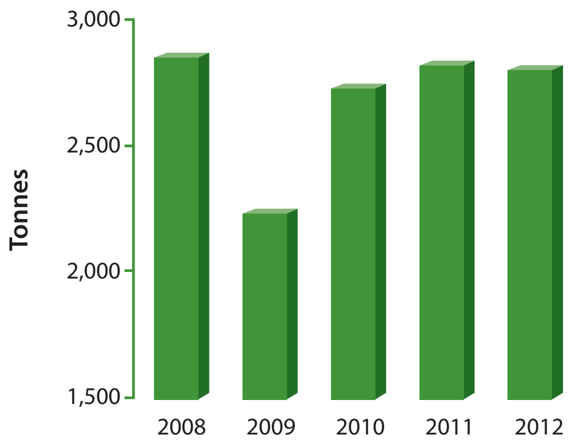
Group statistical information

Total sisal fibre production was 19,504 tonnes (2011: 19,555 tonnes) and spun product production was 2,767 tonnes (2011: 2,774 tonnes). The average price of sisal fibre increased by approximately $170 per tonne.

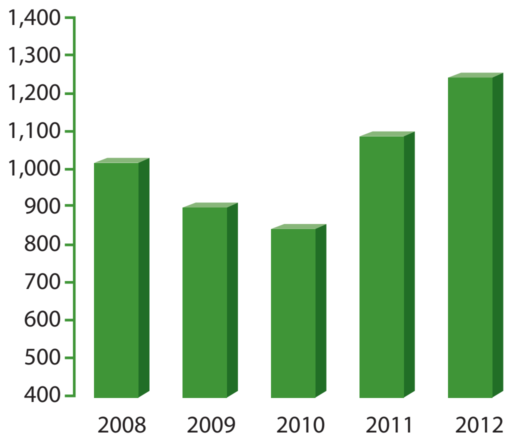
Fibre production



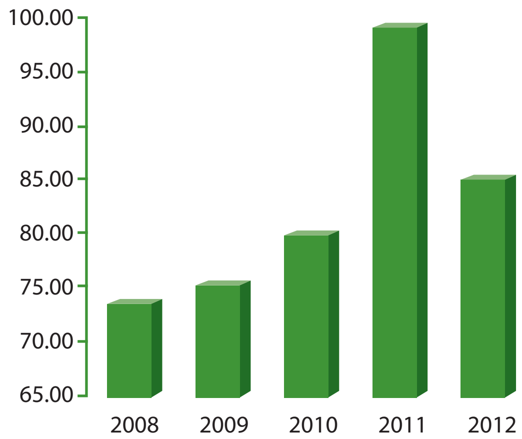
Yarn and twine production



Average fibre price per tonne (US $)



Exchange rate at 30 September Kenya Shilling to US$



Report of the directors

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2012 which disclose the state of affairs of the group and the company.

Incorporation and registered office

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

Principal activities

The company is engaged in the cultivation of sisal and the production of sisal fibre and also acts as a holding company. The principal businesses of the subsidiary companies comprise the cultivation of sisal and horticultural produce and the production of sisal fibre and twines.

Results and dividend

The group profit for the year of Shs 380,433,000 (2011: Shs 467,196,000) has been added to retained earnings.

The directors recommend the payment of a first and final dividend for the year ended 30 September 2012 of Shs 1.10 per share amounting to Shs 66,000,000 (2011: Shs 1.10 per share amounting to Shs 66,000,000).

Directors

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

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

Auditors

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

By order of the Board

I R HODSON
Secretary
14 January 2013

Statement of directors' responsibilities

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

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

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

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

N R Cuthbert	O M Fowler
Director	Director

14 January 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of REA Vipingo Plantations Limited and its subsidiaries, set out on pages 17 to 72, which comprise the consolidated and company statements of financial position as at 30 September 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 30 September 2012 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

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

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

Deloitte & Touche
Certified Public Accountants (Kenya)
14 January 2013
Nairobi

Consolidated statement of profit or loss and other comprehensive income

	Notes	2012 Shs'000	2011 Shs'000
Revenue	5	2,571,725	2,115,616
Gain arising from changes in fair value of biological assets	13	87,639	152,869
Cost of sales		(1,394,208)	(1,048,785)
Gross profit		1,265,156	1,219,700
Interest income		52	33
Other operating income		12,281	34,999
Foreign exchange (losses)/gains – net		(32,266)	5,547
Distribution costs		(82,538)	(80,883)
Administrative expenses		(576,783)	(472,160)
Other operating expenses		(3,392)	(3,651)
Finance costs	8	(27,217)	(24,739)
Profit before tax	6	555,293	678,846
Tax charge	9	(174,860)	(211,650)
Profit for the year		380,433	467,196
Comprising:			
Profit arising from operating activities		319,086	360,188
Profit arising from changes in fair value of biological assets		61,347	107,008
		380,433	467,196
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange adjustment on translation of foreign subsidiaries		(61,148)	60,565
Total comprehensive income for the year		319,285	527,761
Earnings per share - basic and diluted	10	Shs 6.34	Shs 7.79

Consolidated statement of financial position

As at 30 September 2012

	Notes	2012 Shs'000	2011 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	806,444	753,404
Biological assets	13	656,077	603,608
Investment property	14	4,619	4,674
Investment in unquoted shares	16	9,151	9,151
Deferred tax assets	22	1,891	8,233
Post employment benefit asset	23(b)	18,880	15,524
		1,497,062	1,394,594
Current assets			
Inventories	17	461,210	531,612
Receivables and prepayments	18	366,792	314,994
Tax recoverable	9(b)	23,253	14,839
Bank balances and cash	19	28,301	32,701
		879,556	894,146
Total assets		2,376,618	2,288,740
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	300,000	300,000
Share premium		84,496	84,496
Translation deficit		(115,103)	(53,955)
Retained earnings		1,452,752	1,138,319
Shareholders' funds		1,722,145	1,468,860
Non-current liabilities			
Borrowings	21	48,605	91,846
Deferred tax liabilities	22	242,457	210,661
Post employment benefit obligations	23(a)	105,427	92,137
		396,489	394,644
Current liabilities			
Payables and accrued expenses	24	155,486	168,531
Tax payable	9 (b)	-	37,949
Borrowings	21	102,498	183,815
Other liabilities	25	-	34,941
		257,984	425,236
Total equity and liabilities		2,376,618	2,288,740

The financial statements on pages 17 to 72 were approved for issue by the board of directors on 14 January 2013 and signed on its behalf by:

N R Cuthbert *Director* O M Fowler *Director*

Company statement of financial position

As at 30 September 2012

	Notes	2012 Shs'000	2011 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	167,893	142,023
Biological assets	13	61,894	67,105
Investments in subsidiaries	15	571,786	579,229
Deferred tax asset	22	-	7,438
Post employment benefit asset	23 (b)	11,520	9,673
		813,093	805,468
Current assets			
Inventories	17	85,294	156,206
Receivables and prepayments	18	281,977	211,998
Tax recoverable	9 (b)	942	4,335
Cash and cash equivalents	19	6,001	7,886
		374,214	380,425
Total assets		1,187,307	1,185,893
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	300,000	300,000
Share premium		84,496	84,496
Revenue reserve		286,158	238,988
Shareholders' funds		670,654	623,484
Non-current liabilities			
Borrowings	21	2,304	21,012
Post employment benefit obligations	23 (a)	51,519	45,267
Deferred tax liability	22	4,898	-
		58,721	66,279
Current liabilities			
Payables and accrued expenses	24	432,975	414,358
Borrowings	21	24,957	81,772
		457,932	496,130
Total equity and liabilities		1,187,307	1,185,893

The financial statements on pages 17 to 72 were approved for issue by the board of directors on 14 January 2013 and signed on its behalf by:

N R Cuthbert *Director* O M Fowler *Director*

Consolidated statement of changes in equity

	Share capital	Share premium	Translation Deficit	Retained earnings: Biological assets fair value	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2011							
At start of year	300,000	84,496	(114,520)	153,067	566,056	719,123	989,099
Profit for the year	-	-	-	107,008	360,188	467,196	467,196
Other comprehensive income for the year	-	-	60,565	-	-	-	60,565
Total comprehensive income for the year	-	-	60,565	107,008	360,188	467,196	527,761
Dividend paid for 2010	-	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(53,955)	260,075	878,244	1,138,319	1,468,860

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

Consolidated statement of changes in equity *(Continued)*

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

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

Company statement of changes in equity

	Share capital	Share premium	Retained earnings: Biological assets fair value	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2011						
At start of year	300,000	84,496	(18,087)	73,020	54,933	439,429
Total comprehensive income for the year	-	-	17,922	214,133	232,055	232,055
Dividend paid – 2010	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(165)	239,153	238,988	623,484
Year ended 30 September 2012						
At start of year	300,000	84,496	(165)	239,153	238,988	623,484
Total comprehensive (loss) /income for the year	-	-	(3,648)	116,818	113,170	113,170
Dividend paid – 2011	-	-	-	(66,000)	(66,000)	(66,000)
At end of year	300,000	84,496	(3,813)	289,971	286,158	670,654

Consolidated statement of cash flows

	Notes	2012 Shs'000	2011 Shs'000
Cash flows from operating activities			
Net cash generated from operations	28	529,876	356,759
Interest received		52	33
Interest paid	8	(27,217)	(24,739)
Tax paid	9(b)	(170,053)	(62,438)
Net cash generated from operating activities		332,658	269,615
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(166,411)	(173,492)
Proceeds from disposal of property, plant and equipment		7,572	4,966
Proceeds from disposal of investment property		-	19,200
Proceeds from disposal of investment in unquoted shares		-	12,800
Net cash used in investing activities		(158,839)	(136,526)
Cash flows from financing activities			
Proceeds from long-term borrowings		-	114,171
Repayment of long-term borrowings		(50,200)	(72,599)
Repayment of short-term borrowings		-	(75,565)
Dividend paid to shareholders		(66,000)	(48,000)
Net cash used in financing activities		(116,200)	(81,993)
Increase in cash and cash equivalents		57,619	51,096
Cash and cash equivalents at start of year		(94,047)	(144,730)
Effects of exchange rate changes		3,324	(413)
Cash and cash equivalents at end of year	19	(33,104)	(94,047)

Notes to the consolidated financial statements

1. General information

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

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

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

2. Accounting policies

Statement of compliance

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

Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires directors to exercise their judgement in the process of applying the accounting policies adopted by the group. Although such estimates and assumptions are based on the information available to the directors, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2012

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

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The group continued to disclose such items in the statement of changes in equity and the amendment had no effect on the group's financial statements.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

IAS 24, Related Party Disclosures (as revised in 2010)

IAS 24 (as revised in 2010) has been revised on the following two aspects: (a) IAS 24 (as revised in 2010) has changed the definition of a related party and (b) IAS 24 (as revised in 2010) introduces a partial exemption from the disclosure requirements for government-related entities.

The group is not a government-related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2010) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

Improvements to IFRSs issued in 2010

The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the group's financial statements.

Amendments to IFRSs affecting presentation and disclosure only.

The group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed the "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 September 2012

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 September 2012 and future annual periods

• IFRS 10 Consolidated financial statements

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

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

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

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

• IFRS 12 Disclosure of Interests in Other Entities

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

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 September 2012 and future annual periods (Continued)

- **IFRS 13 Fair Value Measurements**

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

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

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

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

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

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

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

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

The key amendments include:

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 September 2012 and future annual periods (Continued)

• **IAS 19 Employee Benefits (2011)** *(Continued)*

- Introducing enhanced disclosures about defined benefit plans.
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affecting the recognition and measurement of termination benefits.
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.
- Incorporating other matters submitted to the IFRS Interpretations Committee.

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

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

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

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

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

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

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

(iv) Early adoption of standards

The group early adopted Amendments to IAS 1, Presentation of Items of Other Comprehensive Income during the year.

The group did not early adopt any other new or amended standards in the financial year.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Consolidation

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

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

Costs related to acquisitions are expensed as incurred.

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

A list of subsidiary companies is shown in Note 15.

Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

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

Consolidation

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Functional currency and translation of foreign currencies *(Continued)*

Consolidation *(Continued)*

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

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

Operating segments

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

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

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

Revenue recognition

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

Sales of goods are recognised upon dispatch of the products.

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

Inventories

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

Inventories of processed twine and yarn are valued at the lower of factory production cost and net realisable value. Cost comprises direct factory labour, other direct costs and related production overheads but excludes interest expenses.

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Property, plant and equipment

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

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

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

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

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

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

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

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

Investment property

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

Investment in unquoted shares

Unquoted investments are stated at cost less provision for impairment.

Biological assets

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Biological assets *(Continued)*

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

Impairment

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Accounting for leases

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

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

Taxation

Income tax expense is the aggregate amount charged/credited in respect of current tax and deferred tax in determining the profit or loss for the year.

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Taxation *(Continued)*

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

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Retirement benefit obligations

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

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

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

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

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

Employee entitlements

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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 forseeable future, are regarded as part of the net investment in the subsidiaries. In accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates, the exchange differences arising on such loans are dealt with in the statement of changes in equity.

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

Financial instruments

Financial assets and financial liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the 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. Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counterparty or when there is a default or delinquency in payment according to agreed terms. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Cash and cash equivalents

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

Investments

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

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

Borrowings

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

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

Trade payables

Trade payables are stated at their nominal value.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Share Capital

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

Provisions

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

Dividends

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

Comparatives

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

(a) Critical judgements in applying accounting principles

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

(b) Key sources of estimation uncertainty

Impairment losses

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

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

Notes to the consolidated financial statements *(Continued)*

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

(b) Key sources of estimation uncertainty (Continued)

Property, plant and equipment

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

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

Biological assets

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

Retirement benefit obligations

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

Deferred tax asset

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

Income taxes

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management

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

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

Categories of financial instruments

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets				
Receivables including cash and cash equivalents	373,586	331,164	284,375	216,962
Financial liabilities				
Loans and payables	306,589	479,133	460,236	517,142

Market risk

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

Foreign exchange risk

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Foreign exchange risk (continued)

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

	Assets		Liabilities	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
US Dollars	184,185	160,581	88,252	93,632
Sterling Pound	-	-	6,224	7,019
Euro	1,096	1,354	-	-
	185,281	161,935	94,476	100,651
Company				
US Dollars	55,748	31,072	11,196	44,874

Foreign currency sensitivity analysis

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

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

	Euro Impact		US Dollar Impact		Pound Sterling Impact	
	2012	2011	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Group						
Profit or loss	55(iii)	68(iii)	4,797(i)	3,348 (i)	(312) (ii)	(351) (ii)
Company						
Profit or loss	-	-	2,228 (i)	(690) (iv)	-	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Foreign exchange risk (continued)

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

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

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

(iv) 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

Price risk

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

Interest rate risk

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

Interest rate sensitivity analysis

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

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

Group		Company	
2012	**2011**	**2012**	**2011**
Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
1,511	2,757	273	1,028

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk

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

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

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

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

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

Group

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2012			
Bank balances	5,374	-	-
Trade receivables	11,913	7,442	-
Related party receivables	174,143	-	-
Others	151,787	-	-
Total	343,217	7,442	-
2011			
Bank balances	15,296	-	-
Trade receivables	10,662	604	-
Related party receivables	144,745	-	-
Others	142,452	-	-
Total	313,155	604	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk (Continued)

Company

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2012			
Trade receivables	1,240	-	-
Related party and group receivables	243,899	-	-
Others	33,235	-	-
Total	278,374	-	-
2011			
Trade receivables	465	158	-
Related party and group receivables	184,638	-	-
Others	23,815	-	-
Total	208,918	158	-

Bank balances are fully performing.

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

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

No amounts are considered to be impaired.

Liquidity risk

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

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Liquidity risk (Continued)

Group	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 30 September 2012				
Borrowings	102,498	26,932	21,673	-
Payables, accrued expenses and other liabilities	155,486	-	-	-
Deferred charge on borrowings	5,411	2,188	600	-
Total financial liabilities	263,395	29,120	22,273	-
At 30 September 2011				
Borrowings	183,815	49,894	41,952	-
Payables, accrued expenses and other liabilities	168,531	-	-	-
Deferred charge on borrowings	13,079	7,048	2,972	-
Total financial liabilities	365,425	56,942	44,924	-

Company	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 30 September 2012				
Borrowings	24,957	2,304	-	-
Payables, accrued expenses and other liabilities	432,975	-	-	-
Deferred charge on borrowings	1,517	80	-	-
Total financial liabilities	459,449	2,384	-	-
At 30 September 2011				
Borrowings	81,772	14,095	6,917	-
Payables, accrued expenses and other liabilities	414,358	-	-	-
Deferred charge on borrowings	3,864	1,677	671	-
Total financial liabilities	499,994	15,772	7,588	-

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	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Amounts utilised	151,103	275,661	27,261	102,784
Amounts unutilised	211,675	187,784	102,179	77,131
Total available facilities	362,778	463,445	129,440	179,915

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	
2012	2011	2012	2011
Shs'000	Shs'000	Shs'000	Shs'000
1,884,345	1,802,314	1,187,307	1,185,893

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Capital risk management

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

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

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

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

The gearing ratio at the end of the reporting period was as follows:

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Total borrowings	151,103	275,661	27,261	102,784
Bank balances and cash	(28,301)	(32,701)	(6,001)	(7,886)
Net borrowings	122,802	242,960	21,260	94,898
Total equity	1,722,145	1,468,860	670,654	623,484
Net borrowings to equity ratio	7%	16%	3%	15%

Notes to the consolidated financial statements *(Continued)*

5. Operating segments

(a) Business segments

The group is organised into two principal business segments:

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

	Agriculture	Spinning	Total
	Shs'000	Shs'000	Shs'000
Year ended 30 September 2012			
Total sales	2,268,583	456,858	2,725,441
Inter-segment sales	(150,021)	(3,695)	(153,716)
Sales revenue	2,118,562	453,163	2,571,725
Profit from operations	534,798	47,660	582,458
Interest income	52	-	52
Interest expense	(27,049)	(168)	(27,217)
Profit before tax	507,801	47,492	555,293
Tax	(160,205)	(14,655)	(174,860)
Profit for the year	347,596	32,837	380,433
Segment assets	2,168,206	183,268	2,351,474
Segment liabilities	384,563	27,453	412,016
Capital additions	159,309	7,102	166,411
Depreciation on property, plant and equipment	81,259	4,030	85,289
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

5. Operating segments *(Continued)*

(a) Business segments *(Continued)*

	Agriculture	Spinning	Total
	Shs'000	Shs'000	Shs'000
Year ended 30 September 2011			
Total sales	1,907,632	368,358	2,275,990
Inter-segment sales	(154,801)	(5,573)	(160,374)
Sales revenue	1,752,831	362,785	2,115,616
Profit from operations	673,131	30,421	703,552
Interest income	33	-	33
Interest expense	(24,166)	(573)	(24,739)
Profit before tax	648,998	29,848	678,846
Tax	(202,325)	(9,325)	(211,650)
Profit for the year	446,673	20,523	467,196
Segment assets	2,108,407	157,261	2,265,668
Segment liabilities	537,785	33,485	571,270
Capital additions	167,970	5,522	173,492
Depreciation on property, plant and equipment	69,269	2,972	72,241
Depreciation on investment property	100	-	100

Notes to the consolidated financial statements *(Continued)*

5. Operating segments *(Continued)*

(b) Geographical segments

The group operations consist of two main geographical segments:

- Kenya
- Tanzania

Year ended 30 September 2012

	Kenya	Tanzania	Total
	Shs'000	Shs'000	Shs'000
Total sales	1,485,702	1,239,739	2,725,441
Inter-segment sales	(19,586)	(134,130)	(153,716)
Sales revenue	1,466,116	1,105,609	2,571,725
Profit from operations	313,966	268,492	582,458
Interest income	35	17	52
Interest expense	(16,179)	(11,038)	(27,217)
Profit before tax	297,822	257,471	555,293
Tax	(95,123)	(79,737)	(174,860)
Profit for the year	202,699	177,734	380,433
Segment assets	1,309,016	1,042,458	2,351,474
Segment liabilities	242,286	169,730	412,016
Capital additions	108,446	57,965	166,411
Depreciation on property, plant and equipment	45,911	39,378	85,289
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

5. Operating segments *(Continued)*

(b) Geographical segments *(Continued)*

Year ended 30 September 2011

	Kenya	Tanzania	Total
	Shs'000	Shs'000	Shs'000
Total sales	1,276,136	999,854	2,275,990
Inter-segment sales	(27,608)	(132,766)	(160,374)
Sales revenue	1,248,528	867,088	2,115,616
Profit from operations	413,870	289,682	703,552
Interest income	29	4	33
Interest expense	(17,187)	(7,552)	(24,739)
Profit before tax	396,712	282,134	678,846
Tax	(123,285)	(88,365)	(211,650)
Profit for the year	273,427	193,769	467,196
Segment assets	1,238,096	1,027,572	2,265,668
Segment liabilities	329,570	241,700	571,270
Capital additions	128,853	44,639	173,492
Depreciation on property, plant and equipment	38,032	34,209	72,241
Depreciation on investment property	100	-	100

Notes to the consolidated financial statements *(Continued)*

6. Profit before tax

		Group	
		2012	2011
		Shs'000	Shs'000
The profit before tax is arrived at after charging /(crediting):			
Depreciation on property, plant and equipment (Note 12)		85,289	72,241
Depreciation on investment property		55	100
Operating lease payments		16,088	11,228
Staff costs (Note 7)		699,104	596,549
Auditors' remuneration	- group	7,213	6,313
	- company	2,150	1,900
Directors' emoluments	- fees	1,860	1,500
	- for management services	42,266	38,329
	Total of directors' emoluments	44,126	39,829
Directors' emoluments			
Company:	- fees	1,860	1,500
	- for management services	24,048	21,185
	Total	25,908	22,685
Profit on disposal of property, plant and equipment		(7,100)	(4,209)
Profit on sale of investment property		-	(14,515)
Profit on sale of investment in unquoted shares		-	(6,700)

Profit for the year – company

The company profit for the year of Shs 113,170,000 (2011: Shs 232,055,000) has been dealt with in the separate financial statements of REA Vipingo Plantations Limited.

7. Staff costs

	2012	2011
	Shs'000	Shs'000
Salaries and wages	604,945	531,357
Social security costs	26,665	22,572
Pension contributions –defined benefit scheme charge /(credit)	2,626	(10,145)
Pension contributions – defined contribution scheme	1,479	726
Gratuity and other terminal benefits	28,246	22,676
Medical	35,143	29,363
	699,104	596,549
Average number of permanent employees	3,469	2,957

Notes to the consolidated financial statements *(Continued)*

8. Finance costs

	Group	
	2012	2011
	Shs'000	Shs'000
Interest expense	27,217	24,739

9. Tax

(a) Tax charge

Current tax	123,079	108,913
Deferred tax charge (Note 22)	51,781	102,737
	174,860	211,650

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	
	2012	2011
	Shs'000	Shs'000
Profit before tax	555,293	678,846
Tax calculated at a tax rate of 30%	166,588	203,653
Tax effect of:		
Income not subject to tax	(2,918)	(3,102)
Expenses not deductible for tax purposes	10,711	10,209
(Over)/underprovision of deferred tax in prior year	(507)	83
Underprovision of current tax in prior year	579	221
Deferred tax asset not recognised	407	586
Tax charge	174,860	211,650

Notes to the consolidated financial statements *(Continued)*

9. Tax *(Continued)*

(b) Tax movement

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	23,110	(22,380)	(4,335)	(2,124)
Current year charge	123,079	108,913	5,569	-
Tax paid	(170,053)	(62,438)	(2,176)	(2,211)
Translation adjustment	611	(985)	-	-
At end of year	(23,253)	23,110	(942)	(4,335)
Balances at year end				
Tax recoverable	(23,253)	(14,839)	(936)	(4,335)
Tax payable	-	37,949	-	-
	(23,253)	23,110	(936)	(4,335)

10. Earnings per share

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

	Group	
	2012	2011
Profit for the year (Shs '000)	380,433	467,196
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	6.34	7.79

There were no potentially dilutive ordinary shares outstanding at 30 September 2012 and at 30 September 2011. Diluted earnings per share are therefore the same as basic earnings per share.

11. Dividends

At the annual general meeting to be held on 27 March 2013, a first and final dividend in respect of the year ended 30 September 2012 of Shs 1.10 (2011: Shs 1.10) per share amounting to a total of Shs 66,000,000 (2011: Shs 66,000,000) is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for East African residents and 10% for overseas shareholders.

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment

Group

Cost

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2010	208,052	164,328	673,387	8,156	1,053,923
Additions	-	6,164	92,118	75,210	173,492
Transfers	-	383	22,647	(23,030)	-
Disposals	-	-	(14,067)	-	(14,067)
Translation adjustment	3,167	7,368	34,954	502	45,991
At 30 September 2011	211,219	178,243	809,039	60,838	1,259,339
At 1 October 2011	211,219	178,243	809,039	60,838	1,259,339
Additions	-	5,897	105,250	55,264	166,411
Transfers	-	69,754	39,701	(109,455)	-
Disposals	-	(325)	(6,004)	-	(6,329)
Assets written off	-	-	(25,233)	-	(25,233)
Translation adjustment	(3,033)	(7,057)	(33,988)	(582)	(44,660)
At 30 September 2012	208,186	246,512	888,765	6,065	1,349,528

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment *(Continued)*

Group

Depreciation

	Leasehold land	Buildings	Plant and machinery	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 October 2010	2,041	18,963	408,772	-	429,776
Charge for the year	2,493	3,335	66,413	-	72,241
Eliminated on disposals	-	-	(13,310)	-	(13,310)
Translation adjustment	61	327	16,840	-	17,228
At 30 September 2011	4,595	22,625	478,715	-	505,935
At 1 October 2011	4,595	22,625	478,715	-	505,935
Charge for the year	2,469	3,986	78,834	-	85,289
Eliminated on disposals	-	(102)	(5,755)	-	(5,857)
Eliminated on write offs	-	-	(25,233)	-	(25,233)
Translation adjustment	(75)	(344)	(16,631)	-	(17,050)
At 30 September 2012	6,989	26,165	509,930	-	543,084
Net book amount					
At 30 September 2012	201,197	220,347	378,835	6,065	806,444
At 30 September 2011	206,624	155,618	330,324	60,838	753,404

Included in property, plant and equipment are assets with an original cost of Shs 279,084,190 (2011: Shs 271,976,338) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 48,502,365 (2011: Shs 48,862,296).

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

Based on an impairment review performed by the directors at 30 September 2012, no further indications of impairment of property, plant and equipment were identified. (2011: none).

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

The remaining periods for the land titles in Tanzania range from 38 years to 50 years.

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment *(Continued)*

Company

Cost

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2010	62,557	39,286	159,806	212	261,861
Transfers	-	383	1,009	(1,392)	-
Additions	-	1,421	18,781	1,474	21,676
Disposals	-	-	(4,358)	-	(4,358)
At 30 September 2011	62,557	41,090	175,238	294	279,179
At October 2011	62,557	41,090	175,238	294	279,179
Transfers	-	3,696	378	(4,074)	-
Additions	-	-	34,867	7,807	42,674
Disposals	-	(325)	(409)	-	(734)
Assets written off	-	-	(8,877)	-	(8,877)
At 30 September 2012	62,557	44,461	201,197	4,027	312,242

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment *(Continued)*

Company

Depreciation

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2010	339	7,981	116,986	-	125,306
Charge for the year	632	785	14,346	-	15,763
Eliminated on disposals	-	-	(3,913)	-	(3,913)
At 30 September 2011	971	8,766	127,419	-	137,156
At 1 October 2011	971	8,766	127,419	-	137,156
Charge for the year	632	831	15,118	-	16,581
Eliminated on disposals	-	(102)	(409)	-	(511)
Eliminated on write offs	-	-	(8,877)	-	(8,877)
At 30 September 2012	1,603	9,495	133,251	-	144,349
Net book amount					
At 30 September 2012	60,954	34,966	67,946	4,027	167,893
At 30 September 2011	61,586	32,324	47,819	294	142,023

Included in property, plant and equipment are assets with an original cost of Shs 83,652,851 (2011: Shs 83,053,010) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 15,714,964 (2011:Shs 15,694,636)

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

Based on an impairment review performed by the directors as at 30 September 2012, no further indications of impairment of property, plant and equipment were identified. (2011: none).

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

Notes to the consolidated financial statements *(Continued)*

13. Biological assets

Group	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
At 1 October 2010			
Mature crops	317,642	1,651	319,293
Immature crops	97,285	871	98,156
	414,927	2,522	417,449
(Loss)/gain arising from changes in fair value attributable to physical changes	(130,324)	1,595	(128,729)
Gain arising from changes in fair value attributable to price changes	91,574	-	91,574
Gain arising from changes in fair value attributable to changes in exchange and discount rates	190,024	-	190,024
Net fair value gain	151,274	1,595	152,869
Translation adjustment	33,290	-	33,290
	599,491	4,117	603,608
At 30 September 2011			
Mature crops	426,487	2,305	428,792
Immature crops	173,004	1,812	174,816
	599,491	4,117	603,608

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

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

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

Company
Sisal plants and nurseries

		2012	2011
		Shs'000	Shs'000
Carrying amount at start of year :	Immature sisal	38,470	31,136
	Mature sisal	28,635	10,366
		67,105	41,502
Loss arising from changes in fair value attributable to physical changes		(22,889)	(3,032)
Gain arising from changes in fair value attributable to price changes of sisal fibre		11,610	-
Gain arising from changes in fair value attributable to changes in exchange and discount rates		6,068	28,635
Net fair value (loss)/gain		(5,211)	25,603
Carrying amount at end of year:	Immature sisal	44,216	38,470
	Mature sisal	17,678	28,635
		61,894	67,105

Short-term horticultural crops at the year end comprised of baby corn, okra, green grams and chillies. Baby corn is harvested after a period of approximately 12 to 14 weeks. Chillies have varied harvesting cycles depending on variety. The maximum lifespan of the plant is approximately 48 weeks. Okra is harvested after approximately 8 weeks over a harvesting period of approximately 6 weeks. Green gram is harvested after approximately 8 weeks over a harvesting period of approximately 4 weeks.

Immature horticultural crops relate solely to asparagus. This crop takes approximately 2 years before harvesting can begin and it has a productive life of approximately 10 years.

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 and exchange rates realised over a number of years.
- Current market prices are used to determine the fair value of short-term crop.
- A discount rate of 15% per annum in Kenya (2011: 17.50%) and 15% per annum in Tanzania (2011: 15%) is applied to the anticipated net cash flows arising from the asset. The costs of production and selling costs used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors. Assumed annual rates of inflation of 7.5% and 10.0% for Kenya and Tanzania respectively (2011: 7.5% and 10% respectively) have been incorporated for periods beyond the initial budget period of one year.
- Based on the biological transformation which sisal plants undergo, 42% of fair value is assigned to the regeneration of sisal leaf.
- Costs incurred on new plantations in the year approximate to their fair value.

Notes to the consolidated financial statements *(Continued)*

14. Investment property

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

	2012	2011
	Shs'000	Shs'000
Cost		
At the beginning of the year	4,838	9,676
Disposals	-	(4,838)
At end of year	4,838	4,838
Depreciation		
At the beginning of the year	164	218
Charge for the year	55	100
Eliminated on disposals	-	(154)
At end of year	219	164
Carrying value at the end of year	4,619	4,674
Fair value	19,200	19,200

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

Notes to the consolidated financial statements *(Continued)*

15. Investment in subsidiaries

	Company	
	2012	2011
	Shs'000	Shs'000
Shares in subsidiaries at cost	504,074	504,074
Long term receivable from subsidiary	67,712	75,155
	571,786	579,229

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

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

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

Notes to the consolidated financial statements *(Continued)*

16. Investment in unquoted shares – at cost

Group

	2012	2011
	Shs'000	Shs'000
At start of year	9,151	15,251
Disposals	-	(6,100)
At end of year	9,151	9,151

A group company owns 6 plots in a residential development managed by an unrelated company, Vipingo Beach Limited (Note 14). It is a requirement that owners of such plots should be holders of 100 shares in Vipingo Beach Limited for each plot held. In 2011, 4 plots were sold and consequently 400 shares in Vipingo Beach Limited were sold.

17. Inventories

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre at fair value	225,811	302,864	60,817	130,517
Finished goods	28,344	34,388	-	-
Stores and raw materials at cost less provision	207,055	194,360	24,477	25,689
	461,210	531,612	85,294	156,206

18. Receivables and prepayments

Trade receivables	19,355	11,266	1,240	623
Prepayments	21,507	16,531	3,603	2,922
Amounts due from related parties (Note 29)	174,143	144,745	55,748	31,072
Amounts due from group companies (Note 29)	-	-	188,151	153,566
VAT recoverable	118,130	85,125	29,926	21,715
Other receivables	33,657	57,327	3,309	2,100
	366,792	314,994	281,977	211,998

19. Bank balances and cash

Cash at bank and in hand	28,301	32,701	6,001	7,886

Notes to the consolidated financial statements *(Continued)*

19. Bank balances and cash *(Continued)*

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

	Group	
	2012	2011
	Shs'000	Shs'000
Cash at bank and in hand as above	28,301	32,701
Bank overdrafts (Note 21)	(61,405)	(126,748)
Cash and cash equivalents	(33,104)	(94,047)

20. Share capital

Authorised, issued and fully paid

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 October 2010, 1 October 2011 and 30 September 2012	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.

21. Borrowings

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Total borrowings	151,103	275,661	27,261	102,784
Less: current portion	(102,498)	(183,815)	(24,957)	(81,772)
Non-current portion	48,605	91,846	2,304	21,012

The borrowings are made up as follows:

	Group 2012	Group 2011	Company 2012	Company 2011
Non-current				
Bank loans	48,605	91,846	2,304	21,012
Current				
Bank overdrafts	61,405	126,748	13,005	60,247
Bank loans	41,093	57,067	11,952	21,525
	102,498	183,815	24,957	81,772
Total borrowings	151,103	275,661	27,261	102,784

Notes to the consolidated financial statements *(Continued)*

21. Borrowings *(Continued)*

Analysis of borrowings by currency

Group

	Borrowings in Kshs Shs'000	Borrowings in Tshs Shs'000	Borrowings in USD Shs'000	Total Shs'000
2012				
Bank overdrafts	22,423	25,880	13,102	61,405
Bank loans	20,207	-	69,491	89,698
	42,630	25,880	82,593	151,103
2011				
Bank overdrafts	71,521	-	55,227	126,748
Bank loans	58,822	90,091	-	148,913
	130,343	90,091	55,227	275,661

Company

	Borrowings in Kshs Shs'000	Borrowings in US Dollars Shs'000	Total Shs'000
2012			
Bank overdrafts	3,207	9,798	13,005
Bank loans	14,256	-	14,256
	17,463	9,798	27,261
2011			
Bank overdrafts	16,152	44,095	60,247
Bank loans	42,537	-	42,537
	58,689	44,095	102,784

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.

Notes to the consolidated financial statements *(Continued)*

21. Borrowings *(Continued)*

Analysis of borrowings by currency

	Group		Company	
	2012	2011	2012	2011
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	19.0%	12.7%	19.0%	11.5%
-bank loans – Kshs	18.65%	11.7%	18.50%	12.0%
-bank overdrafts – Tshs	13.50%	9.5%	-	-
-bank overdrafts – US$	7.29%	5.3%	7.25%	5.25%
-bank loan - Tshs	-	9.5%	-	-
-bank loan – US$	6.0%	-	-	-

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Maturity of non-current loans				
Between 1 and 2 years	26,932	49,894	2,304	14,095
Between 2 and 5 years	21,673	41,952	-	6,917
	48,605	91,846	2,304	21,012

22. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2011: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	202,428	86,810	(7,438)	(53,054)
Tax charge recognised in profit or loss (Note 9 (a))	51,781	102,737	12,336	45,616
Translation adjustment	(13,643)	12,881	-	-
At end of year	240,566	202,428	4,898	(7,438)

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

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax assets	(1,891)	(8,233)	-	(7,438)
Deferred tax liabilities	242,457	210,661	4,898	-
	240,566	202,428	4,898	(7,438)

Notes to the consolidated financial statements *(Continued)*

22. Deferred tax *(Continued)*

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

Group

	1.10.2011	Charged/ (credited) to profit or loss	Translation adjustment	30.9.2012
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Property, plant and equipment	70,526	14,592	(4,126)	80,992
Biological assets	181,083	26,291	(10,549)	196,825
Acquisition of subsidiary	7,676	-	-	7,676
Post employment benefit asset	4,657	1,007	-	5,664
	263,942	41,890	(14,675)	291,157
Deferred tax assets				
Provisions	(46,219)	(5,353)	1,032	(50,540)
Tax losses carried forward	(15,295)	15,244	-	(51)
	(61,514)	9,891	1,032	(50,591)
Net deferred tax liability	202,428	51,781	(13,643)	240,566

In addition to the above, there is a further deferred income tax asset attributable to tax losses carried forward amounting to Shs 24,054,000 (2011: Shs 23,647,000) relating to a subsidiary company which has not been recognised in the financial statements because, in the view of the directors, it is not certain that sufficient taxable profits will be generated in the foreseeable future against which the tax losses can be utilised.

Company

	1.10.2011	Charged to profit or loss	30.09.2012
	Shs'000	Shs'000	Shs'000
Deferred tax liabilities			
Property plant and equipment	8,022	2,362	10,384
Biological assets	20,132	(1,563)	18,569
Post employment benefit asset	2,902	554	3,456
	31,056	1,353	32,409
Deferred tax assets			
Provisions	(23,200)	(4,311)	(27,511)
Tax losses	(15,294)	15,294	-
	(38,494)	10,983	(27,511)
Net deferred tax (asset)/liability	(7,438)	12,336	4,898

Notes to the consolidated financial statements *(Continued)*

23. Post employment benefit obligations/(asset)

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Post employment benefit obligations/(asset) comprise:				
(a) Staff retirement gratuity	105,427	92,137	51,519	45,267
(b) Defined benefit scheme	(18,880)	(15,524)	(11,520)	(9,673)

(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	
	2012	2011	2012	2011
At start of year	92,137	77,716	45,267	39,348
Charged to profit or loss	24,544	18,707	9,358	8,201
Utilised during year	(9,977)	(5,591)	(3,106)	(2,282)
Translation adjustment	(1,277)	1,305	-	-
At end of year	105,427	92,137	51,519	45,267

(b) Defined benefit scheme

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

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

	2012	2011
	Shs'000	Shs'000
Present value of funded obligations	130,652	115,332
Fair value of scheme assets	(163,722)	(125,592)
Net over funding in funded plan	(33,070)	(10,260)
Unrecognised actuarial gain/(loss)	14,190	(5,264)
Net asset at the end of the reporting period	(18,880)	(15,524)

Notes to the consolidated financial statements *(Continued)*

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

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

	2012 Shs'000	2011 Shs'000
Current service cost net of employees' contributions	3,763	3,320
Interest on obligation	11,670	9,898
Expected return on plan assets	(12,807)	(14,141)
Net actuarial gain recognised in the year	-	(9,222)
Net charge /(credit) for the year included in staff costs	2,626	(10,145)
Contributions paid	(5,982)	(5,444)
Movement in the liability/(asset) recognised at the end of the accounting period	(3,356)	(15,589)

The principal actuarial assumptions used were as follows:

	2012	2011
- discount rate	12%	10%
- expected rate of return on scheme assets	10%	10%
- future salary increases	10%	8%
- future pension increases	0%	0%

The group also contributes to a defined contribution retirement benefit scheme for certain non-unionisable employees. The group contributed Shs 1,479,000 to this scheme during the year (2011: Shs 726,000) which has been charged to profit or loss.

The group also makes contributions to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 September 2012, the group contributed Shs 26,665,000 (2011: Shs 22,572,000) which has been charged to profit or loss.

Notes to the consolidated financial statements *(Continued)*

24. Payables and accrued expenses

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	72,508	94,282	25,189	18,163
Amounts due to related parties (Note 29)	8,455	9,279	1,397	779
Amounts due to group companies (Note 29)	-	-	381,919	373,579
Provision for leave pay	23,866	23,871	11,218	10,543
Accrued expenses	27,195	20,610	7,642	6,206
Other payables	23,462	20,489	5,610	5,088
	155,486	168,531	432,975	414,358

25. Other liabilities

This refers to the deferred consideration which was payable by Amboni Plantations Limited to Amboni Sisal Properties Limited for the purchase of Kigombe Estate. This was paid during the year.

	Group	
	2012	2011
	Shs'000	Shs'000
Deferred consideration	-	34,941

26. 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.

Notes to the consolidated financial statements *(Continued)*

27. Commitments

Capital commitments

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

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Authorised and contracted for	13,352	57,188	6,700	3,822

Operating lease commitments

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

	Group		Company	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	5,804	10,788	4,554	6,347
Between 2 and 5 years	7,069	14,406	7,069	13,156
Over 5 years	-	-	-	-
	12,873	25,194	11,622	19,503

The lease expenditure charged to the income statement during the year is disclosed in Note 6.

Notes to the consolidated financial statements *(Continued)*

28. Note to the consolidated statement of cash flows

	Group	
	2012	2011
	Shs'000	Shs'000
Reconciliation of profit before tax to net cash generated from operations:		
Profit before tax	555,293	678,846
Adjustments for:		
Finance costs recognised in the profit for the year	27,217	24,739
Interest income recognised in the profit for the year	(52)	(33)
Depreciation of property, plant and equipment (Note 12)	85,289	72,241
Depreciation of investment property (Note 14)	55	100
Fair value adjustment of biological assets (Note 13)	(87,639)	(152,869)
Profit on sale of property, plant and equipment	(7,100)	(4,209)
Profit on sale of investment property	-	(14,515)
Profit on sale of investment in unquoted shares	-	(6,700)
Operating profit before working capital changes	573,063	597,600
Working capital changes:		
- receivables and prepayments	(63,074)	(78,585)
- inventories	45,523	(184,451)
- payables and accrued expenses	(36,847)	24,668
- post employment benefit obligations	11,211	(2,473)
Net cash generated from operations	529,876	356,759

Notes to the consolidated financial statements *(Continued)*

29. Related party transactions

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

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

Sales of sisal fibre and yarns to Wigglesworth & Company 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.

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

	Group	
	2012	2011
	Shs'000	Shs'000
i) Sales of goods and services		
Sale of sisal fibre and yarns		
Wigglesworth & Company Limited	2,101,297	1,781,556
ii) Purchase of management and legal services		
Kaplan & Stratton	565	543
REA Trading Limited	3,323	3,351
	3,888	3,894
iii) Interest paid		
Wigglesworth & Company Limited	-	493
v) Key management compensation		
Remuneration paid to directors and key management staff was as follows:		
Salaries and other short term benefits	81,811	74,217
Post employment benefits	631	584
	82,442	74,801

Notes to the consolidated financial statements *(Continued)*

29. Related party transactions *(Continued)*

	Group	
	2012	2011
	Shs'000	Shs'000
vi) Outstanding balances		
Current receivables (Note 18)		
Wigglesworth & Company Limited	174,143	144,745
Current payables		
Wigglesworth & Company Limited – current account (Note 24)	8,455	9,279

	Company	
	2012	2011
vii) Outstanding balances	Shs'000	Shs'000
Current receivables (Note 18)		
Amounts due from group companies		
Dwa Estate Limited	130,288	98,723
Amboni Plantations Limited – current account	36,922	26,598
Amboni Spinning Mill Limited	15,136	28,245
Wigglesworth Exporters Limited	5,805	-
	188,151	153,566
Amounts due from related parties		
Wigglesworth & Company Limited	55,748	31,072
Current payables (Note 24)		
Amounts due to group companies		
Wigglesworth Exporters Limited	-	2,711
Vipingo Estate Limited	381,919	370,868
	381,919	373,579
Amounts due to related parties		
Wigglesworth & Company Limited	1,397	779

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

Proxy Form

I/We ____

of ____

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

or failing him the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 27th of March 2013 and at any adjournment thereof.

Signature ___________________________________ Date ____________________ 2013

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

* Strike out whichever is not desired.

Notes:

1. To be valid this proxy must be returned to The Secretary, Rea Vipingo Plantations Limited, 1st Floor, Block D, Wilson Business Park, Wilson Airport, P.O. Box 17648, Nairobi - 00500 so as to arrive no later than 10:00 a.m. on Tuesday 26th March 2013.
2. In case of a corporation this proxy must be under its common seal or under the hand of an officer duly authorised in writing.

First Fold

Second Fold

The Secretary

REA Vipingo Plantations Limited

P.O.Box 17648-00500

Nairobi,

Kenya

Third Fold and tuck in edge

First Fold