REA VIPINGO PLANTATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2009

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Company Information

Directors The directors of the company are as follows:

Oliver Fowler — *Chairman,* non-executive, aged 57, 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 54, 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 64, 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 55, 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 30 years.

Brown Ondego — Independent non-executive, aged 58, has extensive experience in the shipping industry. Whilst serving as managing director of Mackenzie Maritime Limited he was recruited to serve as managing director of Kenya Ports Authority, a position he held until 2005. He is currently executive chairman of Rift Valley Railways Limited and a non-executive director of Barclays Bank of Kenya Limited.

Secretary and registered office

Ian Hodson,
Certified Public Secretary (Kenya),
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

Independent auditor

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

Advocates

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

Notice of meeting

Notice is hereby given that the fifteenth annual general meeting of the company will be held at Holiday Inn Parklands Road, Nairobi on Friday 26 March 2010, 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 2009.

3. To approve the payment of a first and final dividend for the year ended 30 September 2009 of Sh 0.50 per share payable on or about 15 June 2010 to shareholders registered at the close of business on 26 March 2010.

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 2010.

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
19 January 2010

Note:

Election of directors
Article 82E states as follows:

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

Corporate governance

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

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

Board of Directors

The composition of the board is given on page 2 of this report. Four out of the five members of the board, including the chairman, are non-executive directors. This ensures that the decision-making process is objective and takes into account the rights and expectations of the body of shareholders as a whole. All of the non-executive directors have experience and expertise which is considered relevant to the requirements of the group. All directors, other than the managing director who is exempted, are required to retire and seek re-election once every three years. A director appointed during the year is required to retire and seek re-election at the next Annual General Meeting.

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

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

Committees of the Board

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

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

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

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

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

Corporate governance (continued)

Communication with shareholders

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

Annual and half yearly reports together with general information about the operations of the group, are available on the website, www.reavipingo.com.

Directors' emoluments and loans

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

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

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

Employment and environmental practices

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

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

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

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

The company is a signatory to the Code of Practice (COP) initiated by the Sisal Growers and Employers' Association.

Corporate governance (continued)

Corporate social responsibility

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

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

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

The group operates nursery schools for employees' children on its estates which are fully funded by the 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 talented children of employees are provided with assistance with secondary school fees.

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

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

Corporate governance (continued)

Directors' interest

The interest of the directors in the shares of the company at 30 September 2009 were as follows:

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

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

Corporate governance (continued)

The ten largest shareholdings at the balance sheet date were:

Name	**No of Shares**	**Percentage**
REA Holdings plc	21,880,745	36.47%
REA Trading Limited	12,346,109	20.57%
Stanbic Nominees Kenya Limited	1,506,800	2.51%
N.R. Cuthbert	1,375,292	2.29%
V.S. Morjaria	863,377	1.44%
Aly-Khan Satchu	811,400	1.35%
Mamujee Brothers Foundation	687,907	1.15%
H.N. Ivuti	643,000	1.07%
Prime Securities Investments Trust	529,278	0.88%
J.B. Emmett	515,678	0.86%
	41,159,586	68.59%
6,440 other shareholders	18,840,414	31.41%
	60,000,000	100.00%

Distribution schedule

Shareholding (Number of shares)	**Number of Shareholders**	**Number of shares held**	**Percentage**
1-500	2,503	453,269	0.76%
501-5,000	3,418	5,399,146	8.99%
5,001-10,000	248	1,784,016	2.97%
10,001-100,000	243	5,800,135	9.67%
100,001-1,000,000	34	9,454,488	15.76%
Above 1,000,000	4	37,108,946	61.85%
	6,450	60,000,000	100.00%

Shareholder profile

Local individual shareholders	5,893	18,975,511	31.63%
Local institutional shareholders	491	5,933,109	9.89%
Foreign individual shareholders	62	350,040	0.58%
Foreign institutional shareholders	4	34,741,340	57.90%
	6,450	60,000,000	100.00%

Chairman's statement

Although we have experienced a much more difficult trading environment and, at times, periods of market uncertainty, I am pleased to report that our results for the year to 30 September 2009 have been satisfactory and indeed much better than expected given the global economic situation that prevailed during much of the year.

The problems in the world's financial markets, and the resultant slow down in the global economy, coincided more or less with the start of our financial year and we did experience, during the first half of the year, a material slow down in the shipment of fibre to certain markets. With the exception of fibre that we feed into our own spinning mill, and some mill product, all fibre and spun product that we produce is exported and therefore we are directly affected by global economic conditions.

The world economic slow down and recession that affected most of the industrialized world resulted in lower sales volumes to a number of key markets as buyers considered the effects of the new trading conditions on their own businesses, and on their stock levels and financing capabilities. In addition to this, other markets which were perhaps less affected by the changing economic conditions, expected lower prices.

Prices of sisal fibre, which had reached an all time high before the downturn in late 2008, have declined by over 30% since their peak. Fortunately, for much of the year, the US dollar, the currency in which we trade, was relatively strong against the local currencies.

Sisal fibre prices seem now to have stabilised and, providing the world economy continues to recover as it appears to be doing, we do not expect prices to deteriorate further. The recent strengthening of the Kenya shilling against the US dollar is, however, most unhelpful.

As a result of the market uncertainties that prevailed during the early part of the year, output from most of our estates was cut back during the November to January period. Production of fibre was also reduced during the latter part of the financial period as a result of the drought that affected, one way or another, all of our estates. Overall fibre production for the group declined by 3.4% during the year to 16,101 tonnes.

The Tanga spinning mill was not immune to the global slow down and experienced extended periods of very low orders forcing the company to reduce staff levels. Overall production of spun product was 2,255 tonnes. The market situation, I am pleased to report, improved during the last quarter of the year and, remains, as I write, satisfactory. Prices for spun fibre have reduced materially but input costs, notably sisal fibre, have also reduced and, whilst margins are tight, the immediate outlook seems to be reasonably encouraging.

Despite lower volumes, and lower dollar prices during the second half of the year, turnover was Ksh 1.37 billion, almost exactly the same as the previous year. Profit before tax was Ksh 214.07 million.

It should be noted that the profit before tax of Ksh 214.07 million that is being reported includes almost Ksh 89 million which is a fair value gain resulting from the application of International Accounting Standard IAS 41 - Agriculture, compared to a fair value gain of Ksh 16 million in the previous year.

Whilst your directors feel that the sisal fibre price has stabilized in dollar terms, we have some concerns as regards the strength of the Kenya shilling. Since mid 2009 the Kenya shilling has been slowly strengthening relative to the US dollar with the result that, in shilling terms, sales revenues have declined further.

Operating costs have increased over the past six months or so as a result of materially higher power costs and increases in the cost of fuel. The drought that has affected, in particular our operations at the Dwa and Mwera estates, has resulted in low volumes of fibre during the first quarter of the current year. Volumes from the Dwa estate will pick up during the second quarter but, after several years of poor rainfall in all the areas in which we operate, the April rains are critical to our ability to reach production targets during the second half of the financial year.

Chairman's statement (continued)

I am pleased to be able to report that the first phase of our new export vegetable project at Dwa has developed well and the investments that we are currently making in this project will, hopefully, provide a good contribution during the second half of the year and beyond.

With concerns remaining as to the strength of the shilling and with the poor rains, your board feels that it must husband the group's cash resources and this limits the amount that they believe that the company can prudently pay by way of dividend. Last year, at the height of the period of economic uncertainty, the dividend was reduced to shs 0.20 per share. For the year under review your board believes that the level of dividend payment can be improved but feels it would be unwise to revert to earlier levels and recommends a first and final dividend of shs 0.50 per share. It should also be borne in mind that fair value gains referred to above are unrealised and, therefore, not available for distribution.

Finally, may I, on behalf of the board, convey my appreciation to all of the group's staff for their excellent efforts and support through what has been, at times, a challenging year.

OLIVER FOWLER
CHAIRMAN
19 January 2010

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2009 and crops are stated for the whole year ended on that date and referred to as the 2009 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	3,029
Older sisal	774
Immature sisal	1,305
Nurseries	70
Other areas	3,812
	8,990

As a consequence of market uncertainties, production of fibre at Dwa was temporarily restricted during the November to January period. In addition, towards the end of the financial period, production was again slowed as a result of the severe drought conditions. This was the second successive year of below average rainfall on the estate and the drought conditions affected both volume and quality.

Total fibre baled during the year was 6,350 tonnes (2008 – 6,419 tonnes).

The November 2009 rains have been below average in intensity but, nevertheless, have been sufficient to stimulate leaf growth, so that production during the second quarter of the current year is expected to be satisfactory. Providing reasonable rain is received in April, the estate should meet its potential for the year but, if these rains are in any way below average, volumes will again be affected in the second half of the year.

The annual replanting at Dwa is carried out, in the main, prior to the November rains, historically the more reliable in the area, and some 300 hectares was planted in 2009.

During the year under review, a project to grow vegetables for export, under irrigation, was initiated. The first phase of the project was carried out with little investment and utilised, to a very large degree, waste water from the sisal factory. The results of this were excellent, particularly with respect to baby corn, and further more substantial investment is being made in the project with the intention that the contribution will be more material during the second half of the year ending 30 September 2010.

Review of operations (continued)

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	1,740
Older sisal	743
Immature sisal	865
Nurseries	87
Other areas	844
	4,279

Although the total rainfall recorded at Vipingo was again below average, the distribution was fair and overall production was close to expectations. Total fibre production was 4,486 tonnes (2008 – 4,079 tonnes).

The leaf position at Vipingo is good and the 'short' rains have been satisfactory enough for the estate to produce reasonable volumes during the first half of the year. Providing a normal rainfall pattern is experienced during the second half of the year, the estate has the potential to achieve a higher total volume this year.

Planting at Vipingo was this year carried out in phases throughout the year and some 260 hectares was planted.

Review of operations (continued)

Amboni Plantations Limited

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

	Hectares
Mature sisal	2,597
Older sisal	1,030
Immature sisal	925
Nurseries	60
Other areas	6,258
	10,870

Operations on the Tanzanian estates were adversely affected by the market uncertainties that prevailed during the November to February period in addition to poor rainfall.

Although the rains over the past 18 months or more have been well below average, the leaf position in Tanzania has generally been satisfactory most of the time. However, the lack of any intense heavy rain for the second successive year resulted in the closure in July of one of the two factory sites on Mwera estate as the dam, which feeds water to this facility, had dried up.

Fibre production in Tanzania was 5,265 tonnes (2008 – 6,176 tonnes).

The November 2009 rains have again been below average, and run off insufficient to fill the dam, with the result that production from the Mwera estate remains curtailed. Unfortunately underground water is not available in the vicinity of the affected factory and so a project to pipe water from the other factory site is underway but will not be functional until the third quarter at the earliest.

Replanting on the Tanzanian estates was reduced in 2008/2009 to a total of 150 hectares.

Review of operations (continued)

Amboni Spinning Mill Limited

The Tanga spinning mill, situated on the outskirts of Tanga town had a 'mixed' year with a total production of 2,255 tonnes (2008 – 2,812 tonnes).

Sales into both the export and local regional markets were much more difficult and, at times, erratic. The global slowdown following the problems in late 2008 in the world financial markets had a major impact upon export sales volumes and prices. Sales during the first half of the year were particularly poor with the result that for extended periods operations were reduced to a single shift and staffing levels had to be reduced accordingly.

As a result of some good orders from new, non-traditional markets, the situation improved in the last quarter of the year under review and currently the mill remains busy and working to full capacity. Sales prices have reduced but, with input costs and in particular sisal fibre prices now lower, the mill is currently producing a reasonable return.

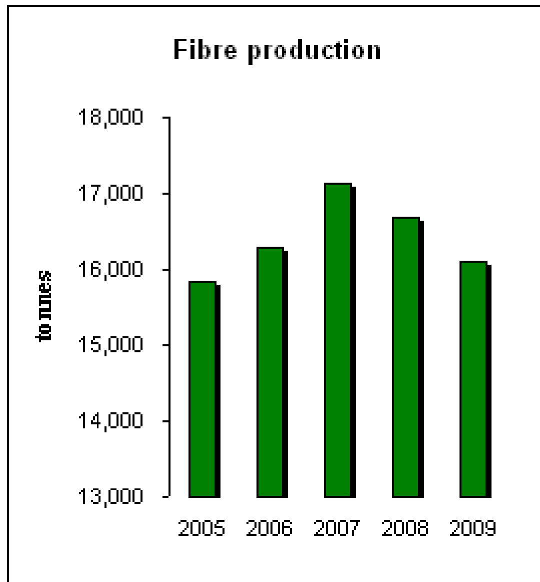
Marketing

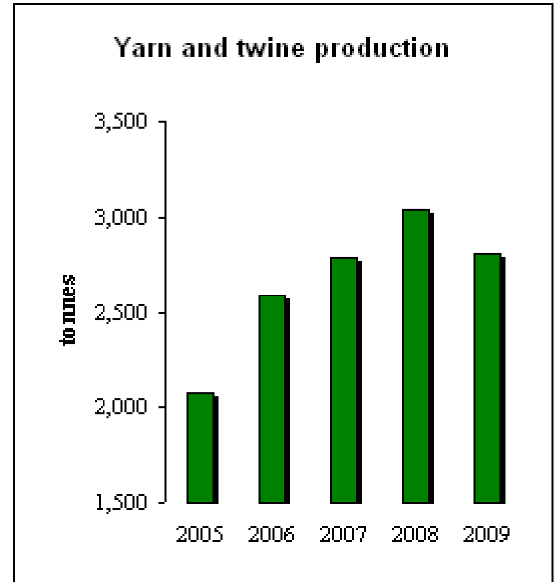
Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Company Limited, and this arrangement continued through the year to 30 September 2009. Wigglesworth & Company Limited, which is 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.

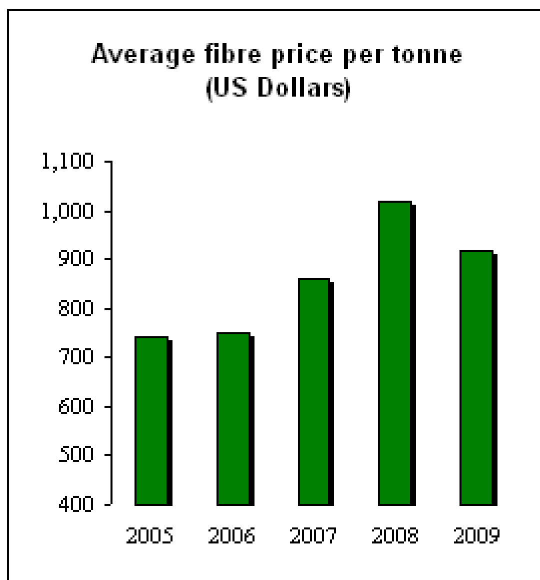
Review of operations (continued)

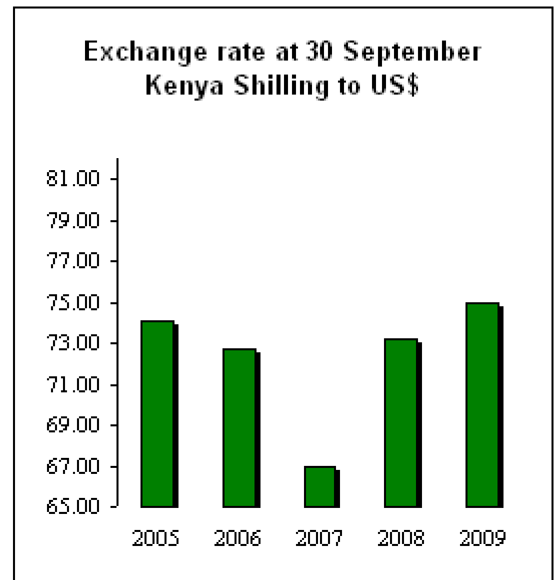
Group statistical information

Total sisal fibre production declined by 3% to 16,101 tonnes and spun product production also declined by 20% to 2,255 tonnes. The average price of sisal fibre declined by approximately $100 per tonne.









Report of the directors

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2009 which disclose the state of affairs of the group and the company.

Incorporation and registered office

The company is incorporated in Kenya under the Companies Act as a public limited liability 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 the production of sisal fibre and twines.

Results and dividend

The group profit for the year of Shs 148,949,000 has been added to retained earnings.

The directors recommend the payment of a first and final dividend for the year ended 30 September 2009 of Shs 0.50 per share amounting to Shs 30,000,000 (2008: Shs 0.20 per share amounting to Shs 12,000,000).

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
19 January 2010

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

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

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

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

19 January 2010

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 20 to 74 which comprise the consolidated and company balance sheets as at 30 September 2009, and the consolidated income statement, consolidated and company statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 30 September 2009 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Report on Other Legal Requirements

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company so far as appears from our examination of those books; and

iii) the company's balance sheet is in agreement with the books of account.

Deloitte & Touche
Certified Public Accountants (Kenya)

19 January 2010
Nairobi

Consolidated income statement

	Notes	2009 Shs'000	2008 Shs'000
Revenue	5	1,371,090	1,356,427
Fair value of sisal leaf harvested		434,281	421,153
Sisal leaf processing income		521,418	538,569
Gain arising from changes in fair value of biological assets	14	89,022	16,266
Income from sisal cultivation	6	1,044,721	975,988
Income from manufacture and services		280,949	329,904
Income from horticultural crops		8,088	-
Operating income		1,333,758	1,305,892
Cost of sales		(694,575)	(733,987)
Gross profit		639,183	571,905
Interest income		1,470	18
Other operating income		10,315	7,908
Foreign exchange gains/(losses) - net		1,500	(4,492)
Distribution costs		(62,214)	(60,295)
Administrative expenses		(352,647)	(330,680)
Other operating expenses		(6,291)	(3,186)
Fair value gain on acquisition of subsidiary		-	66,344
Finance costs	9	(17,250)	(20,303)
Profit before tax	7	214,066	227,219
Tax charge	10	(65,117)	(59,066)
Profit for the year		148,949	168,153
Comprising:			
Profit arising from operating activities		86,634	98,099
Profit arising from changes in fair value of biological assets		62,315	11,386
Net fair value gain on acquisition of subsidiary		-	58,668
		148,949	168,153
Earnings per share - basic and diluted	11	Shs 2.48	Shs 2.80
Proposed dividend per share	12	Shs 0.50	Shs 0.20

Consolidated balance sheet

	Notes	2009 Shs'000	2008 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	314,933	323,960
Biological assets	14	401,382	327,736
Prepaid operating lease rentals	15	139,382	139,707
Investment in unquoted shares	17	15,251	15,251
Deferred tax assets	23	40,612	23,074
		911,560	829,728
Current assets			
Inventories	18	280,448	350,001
Receivables and prepayments	19	172,205	260,492
Tax recoverable	10 (b)	18,803	4,492
Bank balances and cash	20	31,068	187,251
		502,524	802,236
Total assets		1,414,084	1,631,964
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	300,000	300,000
Share premium		84,496	84,496
Translation deficit		(90,814)	(54,149)
Retained earnings		681,768	544,819
Shareholders' funds		975,450	875,166
Non-current liabilities			
Borrowings	22	21,724	32,730
Deferred tax liabilities	23	126,780	107,370
Post employment benefit obligations	24	65,718	62,258
		214,222	202,358
Current liabilities			
Payables and accrued expenses	25	112,639	122,374
Tax payable	10 (b)	1,749	16,010
Borrowings	22	110,024	416,056
		224,412	554,440
Total equity and liabilities		1,414,084	1,631,964

The financial statements on pages 20 to 74 were approved for issue by the board of directors on 19 January 2010 and signed on its behalf by:

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

Company balance sheet

	Notes	2009 Shs'000	2008 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	123,741	130,080
Biological assets	14	49,646	46,043
Prepaid operating lease rentals	15	17,288	17,307
Investment in subsidiaries	16	575,415	582,470
Deferred tax asset	23	39,495	22,327
		805,385	798,227
Current assets			
Inventories	18	67,742	65,307
Receivables and prepayments	19	92,293	97,567
Tax recoverable	10 (b)	1,359	1,331
Bank balances and cash	20	6,470	17,300
		167,864	181,505
Total assets		973,249	979,732
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	300,000	300,000
Share premium		84,496	84,496
Retained earnings		35,513	15,281
Shareholders' funds		420,009	399,777
Non-current liabilities			
Borrowings	22	11,396	12,347
Post employment benefit obligations	24	35,717	33,107
		47,113	45,454
Current liabilities			
Payables and accrued expenses	25	445,601	262,481
Borrowings	22	60,526	272,020
		506,127	534,501
Total equity and liabilities		973,249	979,732

The financial statements on pages 20 to 74 were approved for issue by the board of directors on 19 January 2010 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			Total
				Biological assets fair value	**Other**	**Total**	
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Year ended 30 September 2008							
At start of year	300,000	84,496	(99,997)	77,389	347,277	424,666	709,165
Foreign exchange translation	-	-	45,848	-	-	-	45,848
Profit for the year	-	-	-	11,386	156,767	168,153	168,153
Dividend paid for 2007	-	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(54,149)	88,775	456,044	544,819	875,166
Year ended 30 September 2009							
At start of year	300,000	84,496	(54,149)	88,775	456,044	544,819	875,166
Foreign exchange translation	-	-	(36,665)	-	-	-	(36,665)
Profit for the year	-	-	-	62,315	86,634	148,949	148,949
Dividend paid for 2008	-	-	-	-	(12,000)	(12,000)	(12,000)
At end of year	300,000	84,496	(90,814)	151,090	530,678	681,768	975,450

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

			Retained earnings			
	Share capital Shs'000	**Share premium Shs'000**	**Biological assets fair value Shs'000**	**Other Shs'000**	**Total Shs'000**	**Total Shs'000**
Year ended 30 September 2008						
At start of year	300,000	84,496	(10,211)	47,397	37,186	421,682
(Loss)/profit for the year	-	-	(4,696)	30,791	26,095	26,095
Dividend paid – 2007	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(14,907)	30,188	15,281	399,777
Year ended 30 September 2009						
At start of year	300,000	84,496	(14,907)	30,188	15,281	399,777
Profit for the year	-	-	2,382	29,850	32,232	32,232
Dividend paid – 2008	-	-	-	(12,000)	(12,000)	(12,000)
At end of year	300,000	84,496	(12,525)	48,038	35,513	420,009

Consolidated cash flow statement

	Notes	2009 Shs'000	2008 Shs'000
Cash flows from operating activities			
Cash generated from operations	28	316,552	147,616
Interest received		1,470	18
Interest paid	9	(17,250)	(20,303)
Tax paid	10(b)	(86,251)	(56,559)
Net cash generated from operating activities		214,521	70,772
Cash flows from investing activities			
Purchase of property, plant and equipment		(50,707)	(75,548)
Proceeds from disposal of property, plant and equipment		4,519	4,381
Cash outflow on acquisition of subsidiary		-	(1,868)
Net cash used in investing activities		(46,188)	(73,035)
Cash flows from financing activities			
Proceeds from long-term borrowings		17,022	48,588
Proceeds from short-term borrowings		-	199,452
Repayment of long-term borrowings		(28,960)	(43,655)
Repayment of short-term borrowings		(197,694)	(14,280)
Dividend paid		(12,000)	(48,000)
Net cash (used in)/generated from financing activities		(221,632)	142,105
(Decrease)/increase in cash and cash equivalents		(53,299)	139,842
Cash and cash equivalents at start of year		(5,378)	(146,318)
Effects of exchange rate changes		4,386	1,098
Cash and cash equivalents at end of year	20	(54,291)	(5,378)

Notes to the consolidated financial statements

1 General information

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

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

The principal activities of the company and its subsidiaries (the group) are described in note 16.

2 Accounting policies

Statement of compliance

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

Basis of preparation

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires directors to exercise their judgement in the process of applying the accounting policies adopted by the company. 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 and Interpretations.

None of the new and revised standards and interpretations effective during the current period has resulted in a change in the group's accounting policies.

Notes to the consolidated financial statements

2 Accounting policies (continued)

Standards, amendments to published standards and interpretations in issue but not yet effective

The following standards will be relevant to the financial statements of the group, when effective:

IFRS 3 (Revised) - Business Combinations

IFRS 3 (Revised) - Business Combinations, was issued in January 2008 and will apply to business combinations occurring on or after 1 April 2010. The revised standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that a business combination occurs and future reported results. Assets and liabilities arising from business combinations before 1 April 2010 will not be restated and thus there will be no effect on the group's results or financial position on adoption. However, this standard is likely to have a significant impact on the accounting for business acquisitions post adoption.

IAS 1 (Revised) - Presentation of Financial Statements

IAS 1 (Revised) - Presentation of Financial Statements, was issued in September 2007 and will be effective for annual periods beginning on or after 1 January 2009. The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a group's equity resulting from transactions with owners separately from non-owner changes. The revised standard provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements. The group does not currently believe that the adoption of this revised standard will have a material impact on the consolidated results or financial position of the group.

IAS 23 (Revised) - Borrowing Costs

IAS 23 (Revised) - Borrowing Costs, was issued in March 2007 and will be effective for annual periods beginning on or after 1 January 2009. It requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of a qualifying asset. The existing option of immediate recognition of those borrowing costs as an expense has been removed. The company is currently assessing the impact and expected timing of adoption of this standard on the company's results and financial position.

IAS 27 (Revised) - Consolidated and Separate Financial Statements

An amendment to IAS 27 - Consolidated and Separate Financial Statements, was issued in January 2008 and is effective for annual periods beginning on or after 1 July 2009. The amendment requires that when a transaction occurs with non-controlling interests in group entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. In cases where control is lost, any retained interest should be remeasured to fair value with the difference between fair value and the previous carrying value being recognised immediately in the income statement. Transactions occurring before 1 April 2010 will not be restated and thus there will be no effect on the group's results or financial position on adoption. However, the group has historically entered into transactions that are within the scope of this standard and may do so in the future.

Notes to the consolidated financial statements

2 Accounting policies (continued)

IFRS 8 - Operating Segments

IFRS 8 - Operating Segments, replaces IAS 14 - Segment Reporting. The new standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

IFRS 9 - Financial Instruments

IFRS 9 - Financial Instruments, introduces a new classification and measurement regime for financial assets within its scope. As a result of ongoing discussions about measurement of own credit risk when fair valuing financial liabilities, accounting for financial liabilities will continue to be performed under IAS 39 until further amendments are made by the IASB to IFRS 9. This must be applied starting 1 January 2013, with early adoption permitted.

IAS 17 (Amendment) - Leases

The amendment to this standard will remove the present requirement to treat leases of land as operating leases. It may, therefore, be possible to classify long leases of land as finance leases and include land held under long leasehold titles as property, plant and equipment. This amendment is effective for periods beginning 1 January 2010 and will be applied retrospectively to unexpired leases as at 1 January 2010 if necessary information was available at the inception of the lease.

Impact of other standards and interpretations

Improvements to IFRSs were issued in May 2008 and April 2009 and their requirements are effective over a range of dates, with the earliest effective date being annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project. The directors are currently assessing the impact and expected timing of adoption of these amendments on the company's results and financial position.

The IASB's annual improvements process deals with non-urgent, minor amendments to standards.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Consolidation

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

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

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

A list of subsidiary companies is shown in Note 16.

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

Consolidation

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

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

reserve).

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Segmental Reporting

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

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

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

Revenue recognition

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 the delivery of products and acceptance by the customers.

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.

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.

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 the income statement 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

Freehold land is not depreciated.

Residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at each balance sheet date.

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.

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated 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 the income statement in the accounting period in which they arise.

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

Impairment

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

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

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

Accounting for leases

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

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

Leasehold Land

Payments to acquire leasehold land are treated as prepaid operating lease rentals and the cost of land is amortised over the unexpired term of the lease on the straight-line basis.

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Taxation

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

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

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

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

Offsetting

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

Retirement benefit obligations

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

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

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 scheme. The group's obligations under these schemes are legislated from time to time.

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

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Employee entitlements

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

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

Investment in subsidiaries

Investments in subsidiary companies are shown at cost less provision for impairment losses. Where, in the opinion of the Directors, there has been an impairment of the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

Long-term loans to subsidiaries, settlement of which has not been planned for the 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 the income statement.

Financial instruments

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

Trade receivables

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts. 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.

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Financial instruments (continued)

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 the income statement over the period of the borrowings. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

Trade payables

Trade payables are stated at their nominal value.

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.

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Provisions

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

Dividends

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

Comparatives

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

(a) Critical judgements in applying accounting 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 each balance sheet date 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 balance sheet date.

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 balance sheet date.

Notes to the consolidated financial statements (continued)

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

Contingent liabilities

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

Biological assets

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

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 provision and the key assumptions made in estimating the provision are set out in Note 24.

Deferred tax asset

At each balance sheet date 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 Kenya to hedge against such risks.

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

Categories of financial instruments	**Group**		**Company**	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	144,820	387,582	80,685	91,124
Financial liabilities				
Loans and payables	239,206	566,250	515,272	544,633

Market risk

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

Foreign exchange risk

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

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

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

	Assets		Liabilities	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Group				
US Dollars	84,175	323,788	26,550	261,143
Sterling Pound	-	-	8,891	9,764
	84,175	323,788	35,441	270,907
Company				
US Dollars	19,243	29,165	23,981	232,600

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Foreign currency sensitivity analysis

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

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

	US Dollar Impact		**Pound Sterling Impact**	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Group				
Profit or loss	2,881 (i)	3,132 (i)	(445) (ii)	(488) (ii)
Company				
Profit or loss	(237) (iii)	10,172 (iii)	-	-

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Interest rate risk

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

Interest rate sensitivity analysis

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

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

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
	1,317	4,488	719	2,844

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**
2009			
Bank balances and cash	31,068	-	-
Trade receivables	6,414	927	-
Related party receivables	81,114	-	-
Others	25,297	-	-
Total	143,893	927	-
2008			
Bank balances and cash	187,251	-	-
Trade receivables	3,416	1,393	-
Related party receivables	157,452	-	-
Others	38,070	-	-
Total	386,189	1,393	-

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Credit risk (continued)

Company

	Fully performing	**Past due**	**Impaired**
2009			
Bank balances and cash	6,470	-	-
Trade receivables	3,530	120	-
Related party and group receivables	66,168	-	-
Others	4,397	-	-
Total	80,565	120	-
2008			
Bank balances and cash	17,300	-	-
Trade receivables	276	298	-
Related party and group receivables	69,574	-	-
Others	3,676	-	-
Total	90,826	298	-

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Credit risk (continued)

Bank balances and cash are fully performing.

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

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

No amounts are considered to be impaired.

Liquidity risk

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

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

	Less than 1 year Shs'000	**Between 1 and 2 years Shs'000**	**Between 2 and 5 years Shs'000**	**Over 5 years Shs'000**
Group				
At 30 September 2009				
Borrowings	110,024	18,350	3,374	-
Payables and accrued expenses	107,458	-	-	-
Total financial liabilities	217,482	18,350	3,374	-
At 30 September 2008				
Borrowings	416,056	19,580	13,150	-
Payables and accrued expenses	117,464	-	-	-
Total financial liabilities	533,520	19,580	13,150	-

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company				
At 30 September 2009				
Borrowings	60,526	8,022	3,374	-
Payables and accrued expenses	443,350	-	-	-
Total financial liabilities	503,876	8,022	3,374	-
At 30 September 2008				
Borrowings	272,020	9,528	2,819	-
Payables and accrued expenses	260,266	-	-	-
Total financial liabilities	532,286	9,528	2,819	-

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**	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Amounts utilised	131,748	404,854	71,922	240,435
Amounts unutilised	156,583	72,029	45,573	29,937
Total available facilities	288,331	476,883	117,495	270,372

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**	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
	1,380,196	1,389,047	973,249	979,732

Defined benefit retirement scheme obligations

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

- Future investment returns on scheme assets that are either above or below expectations.
- Changes in actuarial assumptions including mortality of participating members.
- Higher or lower rates of inflation and/or rising or falling bond returns rates used to discount the defined benefit obligation.

Changes in future funding contributions may affect future net assets and results of operations.

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Capital risk management

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

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

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

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

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Total borrowings	131,748	448,786	71,922	284,367
Bank balances and cash	(31,068)	(187,251)	(6,470)	(17,300)
Net borrowings	100,680	261,535	65,452	267,067
Total equity	975,450	875,166	420,009	399,777
Net borrowings to equity ratio	10%	30%	16%	67%

Notes to the consolidated financial statements (continued)

5 Segment information

(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
- Spinning and services – conversion of sisal fibre into yarns and twines and other related services.

	Agriculture	Spinning and services	Total
	Shs'000	Shs'000	Shs'000
Year ended 30 September 2009			
Total sales	1,145,842	288,551	1,434,393
Inter-segment sales	(55,700)	(7,603)	(63,303)
Sales revenue	1,090,142	280,948	1,371,090
Profit from operations	202,910	26,936	229,846
Interest income	1,461	9	1,470
Interest expense	(16,452)	(798)	(17,250)
Profit before tax	187,919	26,147	214,066
Tax	(56,813)	(8,304)	(65,117)
Profit for the year	131,106	17,843	148,949
Segement assets	1,288,151	125,933	1,414,084
Segment liabilities	421,651	16,983	438,634
Capital additions	50,387	320	50,707
Depreciation	44,869	5,108	49,977
Amortisation of leasehold land	278	-	278

Notes to the consolidated financial statements (continued)

5 Segment information (continued)

	Sisal Shs'000	Spinning Shs'000	Total Shs'000
Year ended 30 September 2008			
Total sales	1,099,726	337,518	1,437,244
Inter-segment sales	(73,203)	(7,614)	(80,817)
Sales revenue	1,026,523	329,904	1,356,427
Profit from operations	145,399	35,761	181,160
Interest income	9	9	18
Interest expense	(18,265)	(2,038)	(20,303)
Fair value gain on acquisition of subsidiary	66,344	-	66,344
Profit before tax	193,487	33,732	227,219
Tax	(50,177)	(8,889)	(59,066)
Profit for the year	143,310	24,843	168,153
Segment assets	1,470,650	161,314	1,631,964
Segment liabilities	711,824	44,974	756,798
Capital additions	62,277	2,388	64,665
Depreciation	47,946	4,500	52,446
Amortisation of leasehold land	119	-	119

Notes to the consolidated financial statements (continued)

5 Segment information (continued)

(b) Geographical segments

The group operations consist of two main geographical segments:

- Kenya
- Tanzania

	Kenya Shs'000	Tanzania Shs'000	Total Shs'000
Year ended 30 September 2009			
Total sales	811,840	622,553	1,434,393
Inter-segment sales	(9,179)	(54,124)	(63,303)
Sales revenue	802,661	568,429	1,371,090
Profit from operations	62,380	167,466	229,846
Interest income	25	1,445	1,470
Interest expense	(16,332)	(918)	(17,250)
Profit before tax	46,073	167,993	214,066
Tax	(13,516)	(51,601)	(65,117)
Profit for the year	32,557	116,392	148,949

Notes to the consolidated financial statements (continued)

5 Segment information (continued)

(b) Geographical segments (continued)
Year ended 30 September 2009

	Kenya Shs'000	Tanzania Shs'000	Total Shs'000
Segment assets	875,163	538,921	1,414,084
Segment liabilities	331,867	106,767	438,634
Capital additions	41,119	9,588	50,707
Depreciation	29,699	20,278	49,977
Amortisation of leasehold land	274	4	278

Year ended 30 September 2008

	Kenya Shs'000	Tanzania Shs'000	Total Shs'000
Total sales	761,940	675,304	1,437,244
Inter-segment sales	(16,589)	(64,228)	(80,817)
Sales revenue	745,351	611,076	1,356,427
Profit from operations	87,322	93,838	181,160
Interest income	18	-	18
Interest expense	(15,429)	(4,874)	(20,303)
Fair value gain on acquisition of subsidiary	66,344	-	66,344
Profit before tax	138,255	88,964	227,219
Tax	(32,448)	(26,618)	(59,066)
Profit for the year	105,807	62,346	168,153
Segment assets	1,088,726	543,238	1,631,964
Segment liabilities	607,207	149,591	756,798
Capital additions	47,729	16,936	64,665
Depreciation	33,467	18,979	52,446
Amortisation of leasehold land	112	7	119

Notes to the consolidated financial statements (continued)

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

	Group	
	2009	**2008**
	Shs'000	**Shs'000**
Revenue from sale of sisal fibre	1,082,054	1,026,523
Fair value adjustment of biological assets (Note 14)	89,022	16,266
Net increase in actual costs of biological assets	(90,420)	(113,450)
Net (decrease)/increase in sisal fibre stocks at fair value	(35,935)	46,649
Operating income in respect of sisal cultivation	1,044,721	975,988

7 Profit before tax

The profit before tax is arrived at after charging /(crediting):

Depreciation on property, plant and equipment (Note 13)		49,977	52,446
Amortisation of leasehold land (Note 15)		278	119
Operating lease payments		4,565	5,419
Staff costs (Note 8)		413,934	408,957
Auditors' remuneration	- group	5,686	4,980
	- company	1,800	1,500
Directors' remuneration	- fees	1,116	998
	- for management services	42,145	30,754
Company:	- fees	1,116	998
	- for management services	17,786	16,805
Profit on disposal of property, plant and equipment		(4,135)	(4,055)

Profit for the year – company

The company profit for the year of Shs 32,232,000 (2008: Shs 26,095,000) has been dealt with in the financial statements of REA Vipingo Plantations Limited.

8 Staff costs

Salaries and wages	358,339	356,261
Social security costs	17,607	17,110
Pension contributions –defined benefit scheme	5,521	5,334
Pension contributions – defined contribution scheme	492	157
Gratuity and other terminal benefits	11,412	13,162
Medical	20,563	16,933
	413,934	408,957

Notes to the consolidated financial statements (continued)

9 Finance costs

	Group	
	2009	**2008**
	Shs'000	**Shs'000**
Interest expense	17,250	20,303

10 Tax

(a) Tax charge

Current tax	57,657	72,141
Deferred tax charge/(credit) (Note 23)	7,460	(13,075)
	65,117	59,066

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	
	2009	**2008**
	Shs'000	**Shs'000**
Profit before tax	214,066	227,219
Tax calculated at a tax rate of 30%	64,221	68,166
Tax effect of:		
Income not subject to tax	(1,570)	(10,515)
Expenses not deductible for tax purposes	4,322	4,414
Underprovision/(overprovision) of deferred tax in prior year	841	(3,070)
Underprovision of current tax in prior year	409	71
Deferred tax asset not recognised	(3,106)	-
Tax charge	65,117	59,066

Notes to the consolidated financial statements (continued)

10 Tax (continued)

(b)Tax movement

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At beginning of year	11,518	(3,118)	(1,331)	(1,321)
Acquisition of subsidiary	-	(801)		-
Current year charge/(credit)	57,657	72,141	-	(2)
Tax paid	(86,251)	(56,559)	(28)	(8)
Translation adjustment	22	(145)	-	-
At end of year	(17,054)	11,518	(1,359)	(1,331)
Balances at year end				
Tax recoverable	(18,803)	(4,492)	(1,359)	(1,331)
Tax payable	1,749	16,010	-	-
	(17,054)	(11,518)	(1,359)	(1,331)

Notes to the consolidated financial statements (continued)

11 Earnings per share

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

	Group	
	2009	**2008**
Profit for the year (Shs '000)	148,949	168,153
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	2.48	2.80

There were no potentially dilutive ordinary shares outstanding at 30 September 2009 and at 30 September 2008. Diluted earnings per share is therefore the same as basic earnings per share.

12 Dividends

At the annual general meeting to be held on 26 March 2010, a first and final dividend in respect of the year ended 30 September 2009 of Shs 0.50 (2008: Shs 0.20) per share amounting to a total of Shs 30,000,000 (2008: Shs 12,000,000) is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for East African residents and 10% for other overseas shareholders.

Notes to the consolidated financial statements (continued)

13 Property, plant and equipment

Group

	Freehold land Shs'000	**Buildings Shs'000**	**Plant and machinery Shs'000**	**Work in progress Shs'000**	**Total Shs'000**
Cost					
At 1 October 2007	49,500	96,890	461,148	4,181	611,719
Additions	-	4,058	52,568	8,039	64,665
Transfers	-	8,922	-	(8,922)	-
Disposals	-	-	(12,666)	-	(12,666)
Translation adjustment	-	2,025	25,429	1,248	28,702
At 30 September 2008	49,500	111,895	526,479	4,546	692,420
At 1 October 2008	49,500	111,895	526,479	4,546	692,420
Additions	-	-	33,260	17,447	50,707
Transfers	-	1,946	18,782	(20,728)	-
Disposals	-	-	(12,715)	-	(12,715)
Translation adjustment	-	(1,483)	(18,267)	(693)	(20,443)
At 30 September 2009	49,500	112,358	547,539	572	709,969
Depreciation					
At 1 October 2007	-	12,493	301,665	-	314,158
Charge for the year	-	1,970	50,476	-	52,446
Eliminated on disposals	-	-	(12,340)	-	(12,340)
Translation adjustment	-	192	14,004	-	14,196
At 30 September 2008	-	14,655	353,805	-	368,460
At 1 October 2008	-	14,655	353,805	-	368,460
Charge for the year	-	2,223	47,754	-	49,977
Eliminated on disposals	-	-	(12,332)	-	(12,332)
Translation adjustment	-	(150)	(10,919)	-	(11,069)
At 30 September 2009	-	16,728	378,308	-	395,036
Net book amount					
At 30 September 2009	49,500	95,630	169,231	572	314,933
At 30 September 2008	49,500	97,240	172,674	4,546	323,960

Notes to the consolidated financial statements (continued)

13 Property, plant and equipment (continued)

Included in property, plant and equipment are assets with an original cost of Shs 205,320,000 (2008: Shs 179,880,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 37,403,000 (2008: Shs 32,503,000).

Based on an impairment review performed by the directors at 30 September 2009, no indications of impairment of property, plant and equipment were identified. (2008: none).

Notes to the consolidated financial statements (continued)

13 Property, plant and equipment (continued)

Company

	Freehold land Shs'000	**Buildings Shs'000**	**Plant and machinery Shs'000**	**Work in progress Shs'000**	**Total Shs'000**
Cost					
At 1 October 2007	45,000	34,279	136,942	3,022	219,243
Additions	-	640	24,933	1,585	27,158
Transfers	-	3,840	-	(3,840)	-
Disposals	-	-	(4,811)	-	(4,811)
At 30 September 2008	45,000	38,759	157,064	767	241,590
At 1 October 2008	45,000	38,759	157,064	767	241,590
Transfers	-	-	910	(910)	-
Additions	-	-	11,641	228	11,869
Disposals	-	-	(9,399)	-	(9,399)
At 30 September 2009	45,000	38,759	160,216	85	244,060
Depreciation					
At 1 October 2007	-	5,746	92,152	-	97,898
Charge for the year	-	685	17,412	-	18,097
Eliminated on disposals	-	-	(4,485)	-	(4,485)
At 30 September 2008	-	6,431	105,079	-	111,510
At 1 October 2008	-	6,431	105,079	-	111,510
Charge for the year	-	775	14,993	-	15,768
Eliminated on disposals	-	-	(6,959)	-	(6,959)
At 30 September 2009	-	7,206	113,113	-	120,319
Net book amount					
At 30 September 2009	45,000	31,553	47,103	85	123,741
At 30 September 2008	45,000	32,328	51,985	767	130,080

Included in property, plant and equipment are assets with an original cost of Shs 62,572,544 (2008:Shs 48,362,803) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 11,663,984 (2008:Shs 9,072,238).

Based on an impairment review performed by the directors at 30 September 2009, no indications of impairment of property, plant and equipment were identified. (2008:none).

Notes to the consolidated financial statements (continued)

14 Biological assets

Sisal plants and nurseries

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Carrying amount at start of year				
Immature sisal	126,533	101,030	38,372	29,082
Mature sisal	201,203	192,497	7,671	23,669
Total	327,736	293,527	46,043	52,751
Gain/(loss) arising from changes in fair value attributable to physical changes	2,243	(123,487)	(5,463)	(12,197)
Gain/(loss) arising from changes in fair value attributable to price changes of sisal fibre	60,643	103,994	11,688	(1,811)
Gain/(loss) arising from changes in fair value attributable to changes in exchange rate	26,136	35,759	(2,822)	7,300
Net fair value gain/(loss)	89,022	16,266	3,403	(6,708)
Translation adjustment	(15,376)	17,943	-	-
Carrying amount at end of year	401,382	327,736	49,446	46,043
Immature sisal	106,941	126,533	36,299	38,372
Mature sisal	294,441	201,203	13,147	7,671
Total	401,382	327,736	49,446	46,043

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 market price of sisal fibre will remain constant based on the average price and exchange rates realised over a number of years.
- A discount rate of between 15% to 20% per annum is applied to the anticipated net cash flows arising from the asset. The costs of production and 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 5% and 10% for Kenya and Tanzania 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.
- During the year, the group commenced production of horticultural crops on a trial basis.
  Subsequent to the year end, the directors approved the purchase of an irrigation system to expand the horticultural activity. A fair valuation of the horticultural crops under cultivation at the end of the year has not been made. In the opinion of the directors, any adjustment to the results for the year would be insignificant.

Notes to the consolidated financial statements (continued)

15 Prepaid operating lease rentals

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At beginning of year	139,707	102,057	17,307	17,325
Amortisation	(278)	(119)	(19)	(18)
Translation adjustment	(47)	59	-	-
Acquisition of subsidiary	-	37,710	-	-
At end of year	139,382	139,707	17,288	17,307

The group holds various leasehold land titles which are amortised over the period of the lease, the remaining periods of which range from 52 years to over 900 years.

16 Investment in subsidiaries

	Company	
	2009	**2008**
	Shs'000	**Shs'000**
Shares in subsidiaries at cost	504,074	503,919
Long term receivable from subsidiary	71,341	78,551
	575,415	582,470

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

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

17 Investment in unquoted shares

	Group	
	2009	**2008**
	Shs'000	**Shs'000**
1,000 shares in Vipingo Beach Limited at cost	15,251	15,251

A group company owns 10 plots in a residential development managed by an unrelated company, Vipingo Beach Limited. It is a requirement that owners of such plots should be holders of 100 shares in Vipingo Beach Limited for each plot held.

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
18 Inventories				
Sisal fibre at fair value	124,912	162,874	41,507	41,303
Finished goods	21,278	28,989	-	-
Stores and raw materials at cost less provision	134,258	158,138	26,235	24,004
	280,448	350,001	67,742	65,307
19 Receivables and prepayments				
Trade receivables	7,341	4,809	3,650	574
Prepayments	14,176	13,188	3,536	3,173
Amounts due from related parties (Note 29)	81,114	157,452	15,973	29,231
Amounts due from group companies (Note 29)	-	-	50,195	40,343
VAT recoverable	58,453	60,161	18,078	23,743
Other receivables	11,121	24,882	861	503
	172,205	260,492	92,293	97,567
20 Bank balances and cash				
Cash at bank and in hand	31,068	187,251	6,470	17,300

Notes to the consolidated financial statements (continued)

20 Bank balances and cash (continued)

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

	Group	
	2009	**2008**
	Shs'000	**Shs'000**
Cash at bank and in hand as above	31,068	187,251
Bank overdrafts (Note 22)	(85,359)	(192,629)
Cash and cash equivalents	(54,291)	(5,378)

21 Share capital

Authorised, issued and fully paid	**Number of shares (Thousands)**	**Ordinary shares Shs'000**
Balance at 1 October 2007, 1 October 2008 and 30 September 2009	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.

22 Borrowings

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Total borrowings	131,748	448,786	71,922	284,367
Less: current portion	(110,024)	(416,056)	(60,526)	(272,020)
Non-current portion	21,724	32,730	11,396	12,347

The borrowings are made up as follows:

	Group 2009 Shs'000	Group 2008 Shs'000	Company 2009 Shs'000	Company 2008 Shs'000
Non-current				
Bank loans	21,724	32,730	11,396	12,347
Current				
Bank overdrafts	85,359	192,629	45,917	60,213
Bank loans	24,665	179,495	14,609	167,875
Related party (Note 29)	-	43,932	-	43,932
	110,024	416,056	60,526	272,020
Total borrowings	131,748	448,786	71,922	284,367

Notes to the consolidated financial statements (continued)

22 Borrowing (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
2009				
Bank overdrafts	60,618	2,256	22,485	85,359
Bank loans	46,389	-	-	46,389
	107,007	2,256	22,485	131,748
2008				
Bank overdrafts	107,041	30,608	54,980	192,629
Bank loans	55,764	2,699	153,762	212,225
Related party loan	-	-	43,932	43,932
	162,805	33,307	252,674	448,786

Company

	Borrowings in Kshs Shs'000	Borrowings in USD Shs'000	Total Shs'000
2009			
Bank overdrafts	25,247	20,670	45,917
Bank loans	26,005	-	26,005
	51,252	20,670	71,922
2008			
Bank overdrafts	28,674	31,539	60,213
Bank loans	26,460	153,762	180,222
Related party loan	-	43,932	43,932
	55,134	229,233	284,367

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

The related party loan was in respect of an unsecured loan of US$800,000 received from Wigglesworth & Company Limited. Interest on the loan was charged at 2.75% above the US Federal Reserve Rate. The loan was repaid in 4 monthly instalments of US$200,000. The first instalment was made on 30th September 2008 and the final payment was made on 31 December 2008.

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

	Group		Company	
	2009	**2008**	**2009**	**2008**
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	11.9%	11.5%	11.5%	10.0%
-bank loans – Kshs	11.8%	11.0%	11.5%	10.0%
-bank overdrafts – Tshs	11.0%	11.0%	-	-
-bank loans – Tshs	-	12.7%	-	-
-bank overdrafts – US$	5.1%	5.9%	5.0%	6.4%
- bank loans – US$	-	6.4%	-	6.4%
- related party – US$	-	4.7%	-	4.7%

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Maturity of non-current loans				
Between 1 and 2 years	18,350	19,580	8,022	9,528
Between 2 and 5 years	3,374	13,150	3,374	2,819
	21,724	32,730	11,396	12,347

Notes to the consolidated financial statements (continued)

23 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2008: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	84,296	90,377	(22,327)	4,007
Income statement charge/(credit) (Note 10)	7,460	(13,075)	(17,168)	(26,334)
Translation adjustment	(5,588)	6,994	-	-
At end of year	86,168	84,296	(39,495)	(22,327)

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Deferred tax assets	(40,612)	(23,074)	(39,495)	(22,327)
Deferred tax liabilities	126,780	107,370	-	-
	86,168	84,296	(39,495)	(22,327)

Notes to the consolidated financial statements (continued)

23 Deferred tax (continued)

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

Group

	1.10.2008	Charged/ (credited) to income statement	Translation adjustment	30.9.2009
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Property, plant and equipment	38,219	1,478	(1,698)	37,999
Biological assets	98,322	26,707	(4,613)	120,416
Acquisition of subsidiary	7,676	-	-	7,676
	144,217	28,185	(6,311)	166,091
Deferred tax assets				
Provisions	(38,124)	(1,064)	723	(38,465)
Tax losses carried forward	(21,797)	(19,661)	-	(41,458)
	(59,921)	(20,725)	723	(79,923)
Net deferred tax liability	84,296	7,460	(5,588)	86,168

In addition to the above, there is a further deferred income tax asset attributable to tax losses carried forward amounting to Shs 22,599,000 (2008: Shs 25,705,000) 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.

Notes to the consolidated financial statements (continued)

23 Deferred tax (continued)

Company

	1.10.2008 Shs'000	Charged/ (credited) to income statement Shs'000	30.9.2009 Shs'000
Deferred tax liabilities			
Property, plant and equipment	6,910	919	7,829
Biological assets	13,813	1,021	14,834
	20,723	1,940	22,663
Deferred tax assets			
Provisions	(21,253)	553	(20,700)
Tax losses	(21,797)	(19,661)	(41,458)
	(43,050)	(19,108)	(62,158)
Net deferred tax asset	(22,327)	(17,168)	(39,495)

Notes to the consolidated financial statements (continued)

24 Post employment benefit obligations

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Post employment benefit obligations comprise:				
(a) Staff retirement gratuity	65,653	62,193	35,674	33,064
(b) Defined benefit scheme liability	65	65	43	43
	65,718	62,258	35,717	33,107

(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	
	2009	**2008**	**2009**	**2008**
At start of year	62,193	53,832	33,064	29,297
Charged to income statement	9,764	11,781	6,332	6,309
Utilised during year	(5,849)	(4,048)	(3,722)	(2,542)
Translation adjustment	(455)	628	-	-
At end of year	65,653	62,193	35,674	33,064

(b) Defined benefit scheme

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

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

	2009	**2008**
	Shs'000	**Shs'000**
Present value of funded obligations	91,882	82,855
Fair value of scheme assets	(88,873)	(81,231)
Net under funding in funded plan	3,009	1,624
Unrecognised actuarial loss	(2,944)	(1,559)
Net liability in the balance sheet	65	65

Notes to the consolidated financial statements (continued)

24 Post employment benefit obligations (continued)

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

	2009 Shs'000	2008 Shs'000
Current service cost net of employees' contributions	3,741	3,573
Interest on obligation	8,395	7,437
Expected return on plan assets	(8,325)	(7,260)
Net actuarial loss recognised in the year	1,710	1,584
Net charge for the year included in staff costs	5,521	5,334
Contributions paid	(5,521)	(5,334)
Movement in the liability recognised in the balance sheet	-	-

The principal actuarial assumptions used were as follows:

	2009	2008
- discount rate	10%	10%
- expected rate of return on scheme assets	10%	10%
- future salary increases	8%	8%
- future pension increases	0%	0%

The group also contributes to a defined contribution retirement benefit scheme for certain non-unionisable employees. The company contributed shs 492,000 to this scheme during the year (2008:shs 157,000) which has been charged to the income statement.

The group also makes contributions to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 September 2009, the group contributed Shs 17,607,000 (2008:Shs 17,110,000) which has been charged to the income statement.

25 Payables and accrued expenses

	Group		Company	
	2009 Shs'000	2008 Shs'000	2009 Shs'000	2008 Shs'000
Trade payables	48,454	62,258	20,049	20,065
Amounts due to related parties (Note 29)	12,403	14,607	3,311	3,366
Amounts due to group companies (Note 29)	-	-	403,614	221,062
Provision for leave pay	16,432	15,259	7,103	6,818
Accrued expenses	24,318	22,184	7,753	7,289
Other payables	11,032	8,066	3,771	3,881
	112,639	122,374	445,601	262,481

Notes to the consolidated financial statements (continued)

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.

27 Commitments

Capital commitments

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Authorised and contracted for	6,214	9,073	247	-

Operating lease commitments

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Not later than 1 year	4,280	3,904	1,482	1,106
Between 2 and 5 years	13,214	7,235	9,017	241
Over 5 years	2,170	-	2,170	-
	19,664	11,139	12,669	1,347

Notes to the consolidated financial statements (continued)

28 Note to the cash flow statement

	2009 Shs'000	2008 Shs'000
Reconciliation of profit before tax to cash generated from operations:		
Profit before tax	214,066	227,219
Adjustments for:		
Finance costs recognised in the profit for the year	17,250	20,303
Interest income recognised in the profit for the year	(1,470)	(18)
Depreciation (Note 13)	49,977	52,446
Fair value adjustment of biological assets (Note 14)	(89,022)	(16,266)
Amortisation of prepaid operating lease rentals (Note 15)	278	119
Profit on sale of property, plant and equipment	(4,136)	(4,055)
Fair value gain on acquisition of subsidiary	-	(66,344)
Operating profit before working capital changes	186,943	213,404
Working capital changes:		
- receivables and prepayments	78,398	(23,820)
- inventories	53,591	(64,747)
- payables and accrued expenses	(6,296)	15,046
- post employment benefit obligations	3,916	7,733
Cash generated from operations	316,552	147,616

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.

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

Afchem Limited ceased to be a related party on 30th November 2007.

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.

Notes to the consolidated financial statements (continued)

29 Related party transactions (continued)

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

	Group	
	2009	**2008**
	Shs'000	**Shs'000**
i) Sales of goods and services		
Sale of sisal fibre and yarns		
Wigglesworth & Company Limited	1,166,828	1,150,393
Management services		
Afchem Limited	-	120
ii) Purchase of management and legal services		
Kaplan & Stratton	218	735
REA Trading Limited	3,110	2,849
	3,328	3,584
iii) Interest paid		
Wigglesworth & Company Limited	543	1,808
iv) Key management compensation		
Remuneration paid to directors and key management staff was as follows:		
Salaries and other benefits	60,661	48,966
iv) Outstanding balances		
Current receivables (Note 19)		
Wigglesworth & Company Limited	81,114	157,386
East African Forestry Limited	-	66
	81,114	157,452
Current payables		
Wigglesworth & Company Limited – current account (Note 25)	12,403	14,607
Wigglesworth & Company Limited – loan (Note 22)	-	43,932
	12,403	58,539

Notes to the consolidated financial statements (continued)

29 Related party transactions (continued)

v) Outstanding balances

	Company	
	2009	**2008**
	Shs'000	**Shs'000**
Current receivables (Note 19)		
Amounts due from group companies		
Dwa Estate Limited	27,850	-
Amboni Plantations Limited – current account	1,845	-
Amboni Plantations Limited – loan account	20,500	40,169
Amboni Spinning Mill Limited	-	174
	50,195	40,343

The loan due from Amboni Plantations Limited is unsecured and interest bearing. The effective rate of interest during the year was 11% p.a. (2008: 11% p.a.).

	2009	2008
Amounts due from related parties		
Wigglesworth & Company Limited	15,973	29,165
East African Forestry Limited	-	66
	15,973	29,231
Current payables		
Amounts due to group companies		
Dwa Estate Limited	-	12,711
Amboni Spinning Mill Limited	3,537	-
Wigglesworth Exporters Limited	2,472	191
Vipingo Estate Limited	397,605	208,160
	403,614	221,062
Amounts due to related parties		
Wigglesworth & Company Limited	3,311	3,366

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.

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