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Company Information

The directors of the company are as follows:

Oliver Fowler

Neil Cuthbert

Richard Robinow

Stephen Waruhiu

Brown Ondego

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,
IKM Place,
Tower B,
1st Floor,
5th Ngong Avenue,
P.O. Box 8484, Nairobi 00100

Independent auditors

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

Principal Bankers

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

Absa Bank Kenya Plc
P.O. Box 30120, Nairobi 00100

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

Advocates

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

Chairman's statement

Despite the covid pandemic that affected, to some extent, all of the countries to which we export our sisal fibre, the group was able to sell all of its fibre at reasonable prices and, as a result, has produced a very satisfactory result for the year.

The biggest challenge that the group faced during the year was the climate with rainfall at all locations well below average, particularly on the coastal estates. Vipingo had one of the driest years on record, as did our Tanzania properties. Volumes on both of our Kenyan estates were satisfactory but quality was poor due to the difficulty in extracting fibre from dry leaf and both produced over 20% sub-standard grade fibre.

The Tanzanian estates, which are all located along the coastal strip, had to operate on a reduced basis for the second half of the year and volumes were 5.9% down on the previous year at 7,593 tonnes. Like the Kenyan estates, grades were affected and some 20% of the fibre produced was graded as sub-standard.

Overall the group produced 18,807 tonnes of fibre, one percent more than the previous year and, despite the poor grade mix across the group, turnover increased by 8.46% to shs 3.78 billion thanks to improved sisal prices and a growth in horticulture income. Profit before tax was shs 560 million, an increase of nearly shs 40 million over the previous year.

The Tanga spinning mill produced 1,733 tonnes of product, almost exactly the same as the previous year but the previous year was 31% lower than was produced in the year to September 2019. Sales into the international market were slightly improved but pricing remained a major challenge. The regional market was 5% down on the previous year and overall the mill struggled and produced a small loss for the year.

The Dwa horticulture division had a very good year with further growth in baby corn volumes and in the seed business resulting in a very useful contribution.

The biomass energy generating plant has been ready for commissioning for some time but, due to the well published problems at Kenya Power and Lighting Company (KPLC) and the appointment by H.E. The President in March of a Taskforce to examine all Power Purchase Agreements entered into by KPLC, the commissioning of the plant has been delayed. Management are engaging the relevant authorities and it is to be hoped that the plant can be activated soon.

The Vipingo estate continues, following the sale and lease back of land some years ago, to operate normally and some 196 hectares of new sisal were planted during the year. As a consequence of developments and land sales by the owners of the land, Centum Investment Company Limited, the areas available to the group for replanting in the coming years will diminish and production will, as expected, reduce over time.

Dwa has had excellent rainfall in November and December 2021 and is well set, providing some reasonable rain is received in April, to meet its production targets. Vipingo and the Tanzanian estates have had some rain at the end of 2021 but, given the very dry year prior to this, continue to be short of leaf and may not meet production expectations this year.

The sisal fibre market remains strong and, providing this situation can be sustained, and there are no unexpected setbacks from the ongoing global covid pandemic, we expect prices to remain firm for the foreseeable future. Given reasonable April rains on all of our estates, the new year will hopefully prove to be satisfactory.

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

Oliver Fowler
Chairman
15 February 2022

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 2021, in accordance with Section 653 (i) of the Kenyan Companies Act, 2015, which disclose the state of affairs of the group and the company.

Incorporation and registered office

The company is incorporated in Kenya under the Kenyan Companies Act, 2015 as a limited liability public company and is domiciled in Kenya. The address of the registered office is shown on page 2.

Principal activities

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

Results

The results of the group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 12-13.

Business Review

Overall the group had a satisfactory year given the challenges associated with the worldwide Covid 19 pandemic and below average rainfall on all group estates. Group total sisal fibre production was 18,807 tonnes, an increase of 1% over the previous year's production of 18,606 tonnes. The Tanga spinning mill produced 1,733 tonnes (2020: 1,752 tonnes) of spun product.

Overall the Kenyan estates both produced to budget but the Tanzanian estates were 13.3% below budget in volume.

Despite the uncertain conditions in the international market caused by the Covid 19 pandemic, the group was well sold throughout the year.

Information relating to the individual operating units is given below. Areas are given as at 30 September 2021 and crops are stated for the whole year ended on that date and referred to as the 2021 crop year.

Dwa

The Dwa Estate is situated at Kibwezi, some 200 kilometres from Nairobi, just north of the Nairobi/ Mombasa highway. The estate covers an area of 8,957 hectares made up as follows:

	Hectares
Mature sisal	3,616
Older sisal	25
Immature sisal	1,681
Nurseries	114
Other areas	3,410
Horticulture	111
	8,957

Overall rainfall at Dwa during the year was below average but despite this a total of 6,865 tonnes of fibre was baled on the estate (2020: 6,332 tonnes).

The annual replant at Dwa is carried out, in the main, prior to the November rains, which are historically the more reliable in the area and, during 2021, some 570 hectares of new sisal were planted. It is intended that going forward Dwa will continue to plant in the region of 550 hectares per annum.

The rains during November and December 2021 have been good and, providing that the estate receives reasonable rainfall in April, should meet its production targets during the current year.

Horticulture

The Dwa horticulture activities are based around two centres, a pivot irrigation system on the main estate near to the sisal factory and a 130 acre plot of leased land on the Athi River, near to the estate.

The horticulture section was developed around the production of baby corn which is sold to some of the large export-based horticulture producers. Over the past few years Dwa has also successfully developed a seed production business which increased further in size in 2021 and is expected to be maintained at a similar level in 2022. This forms the back-bone of Dwa's non-sisal agricultural activities.

Report of the directors *(continued)*

Business Review *(continued)*

Biomass Energy Generation

The biomass power generation plant, which commenced construction several years ago, has been ready for commissioning for some time but, due to the well published problems that Kenya Power and Lighting Company Limited (KPLC) has had, and the subsequent appointment by H.E. The President in March 2021 of a Taskforce to examine all Power Purchase Agreements (PPA) entered into by KPLC with Independent Power Producers like ourselves, the commissioning of the plant has been delayed. It is hoped that the PPA will be reactivated shortly enabling commissioning to commence.

Vipingo

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

The original land holding was 4,279 hectares. In accordance with the agreement entered into with Centum Investment Company Limited in 2015, 183 hectares has subsequently been surrendered. The remaining 4,096 hectares of land, which is leased from Centum Investment Company Limited, is utilised as follows:

	Hectares
Mature sisal	1,947
Older sisal	833
Immature sisal	521
Nurseries	50
Other areas	745
	4,096

The financial period was for Vipingo one of the driest years on record with very little rainfall recorded during the traditionally wet April/May period. As a consequence, the estate operated for several months on a substantially reduced cutting and production regime. Production for the year was, however, satisfactory at 4,349 tonnes baled (2020: 4,208 tonnes) but nearly 25% of this was low quality sub-standard fibre.

The annual replant at Vipingo is carried out, in the main, prior to the April rains and during 2021 some 196 hectares were planted.

The estate has had some rain in December 2021 and so, provided some satisfactory rainfall is received from April onwards, fibre production during the current year is expected to be within budget.

Amboni Plantations Limited

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

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

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

The Tanzanian estates cover an area of 15,330 hectares made up as follows:

	Hectares
Mature sisal	3,945
Older sisal	951
Immature sisal	1,355
Nurseries	121
Other areas	8,958
	15,330

Like Vipingo, the Tanzanian estates are located on the coastal strip and also suffered from a very dry year. As a result the estates had to reduce cutting and production for sustained periods and overall fibre production declined to 7,593 tonnes (2020: 8,066 tonnes) for the year.

Replanting in Tanzania is largely carried out prior to the April rains and in 2021 a total area of 641 hectares were planted, a substantial increase over the previous two years.

Rainfall since the start of the new financial period has been reasonable, but below average, and the leaf position overall remains less than ideal and so production is expected to remain at a depressed level throughout most of the current year.

Report of the directors *(continued)*

Business Review *(continued)*

Amboni Spinning Mill Limited

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

Sales of yarn in the regional markets represented 73% of the total sales. Sales into the international market remain a challenge but volumes did increase during the period under review. Total production was 1,733 tonnes (2020: 1,752 tonnes).

The international market for yarns and ropes is highly competitive and, whilst volumes have increased to some extent, margins remain tight and there is little prospect of the mill making a better contribution in the foreseeable future.

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 2021. Wigglesworth & Company Limited, which is a leading international sisal merchant, continued to develop the existing traditional markets for the group products and to exploit further the developing niche markets for the quality fibre and yarns that the group is able to produce.

Dividends

During the year interim dividends of Shs 5 per share and Shs 10 per share amounting to Shs 900,000,000 were declared and paid (2020: Shs Nil).

The directors do not recommend the payment of a final dividend in respect of the year ended 30th September 2021 (2020: Shs Nil).

Directors

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

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

Report of the directors *(continued)*

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

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

a) There was, as far as each director is aware, no relevant audit information of which the group's and company's auditor are unaware; and

b) Each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the group's and company's auditor are aware of that information.

Auditors

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

Annual General Meeting

In view of the ongoing Covid-19 pandemic, details of the Annual General Meeting will be announced in due course.

By order of the Board

I R HODSON
Secretary
15 February 2022

Statement of directors' responsibilities

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

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

(i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) Selecting suitable accounting policies and applying them consistently; and

(iii) Making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the board of directors on 15 February 2022 and signed on its behalf by:

N.R. Cuthbert — Director

O.M. Fowler — Director

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

Report on the Audit of the Consolidated and Company financial statements

Opinion

We have audited the accompanying financial statements of REA Vipingo Plantations Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 12 to 84, which comprise the consolidated and company statements of financial position as at 30 September 2021 and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly in all material respects, the financial position of the Group and of the Company at 30 September 2021 and of their financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of Kenyan Companies Act, 2015.

Basis for Opinion

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

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements *(Continued)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

In our opinion the information given in the report of the directors on pages 4 to 7 is consistent with the consolidated and company financial statements.

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

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi
15 February 2022

Consolidated statement of profit or loss and other comprehensive income

	Notes	2021 Shs'000	2020 Shs'000
Revenue	5	3,779,581	3,484,845
Net gain arising from changes in fair value of biological assets	13 (a)	21,158	44,345
Cost of production		(2,085,054)	(1,890,969)
Gross profit		1,715,685	1,638,221
Interest receivable		26,919	24,167
Other operating income		96,826	32,708
Net foreign exchange gains		19,995	28,265
Distribution costs		(128,600)	(126,389)
Administrative expenses		(1,136,562)	(1,041,639)
Other operating expenses		(20,980)	(19,541)
Finance costs	8	(12,911)	(15,104)
Profit before tax	6	560,372	520,688
Tax charge	9 (a)	(192,124)	(164,197)
Profit for the year		368,248	356,491

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

Other comprehensive income/(loss)

	Notes	2021 Shs'000	2020 Shs'000
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	24 (b)	(2,170)	(10,762)
Deferred tax credit attributable to remeasurement of defined benefit asset	9 (b)	651	3,228
Remeasurement of defined benefit asset net of tax		(1,519)	(7,534)
Item that may be reclassified subsequently to profit or loss			
Foreign exchange adjustment on translation of foreign subsidiaries		32,403	47,012
Other comprehensive income for the year		30,884	39,478
Total comprehensive income for the year		399,132	395,969
Earnings per share from operations– basic and diluted	10	Shs 6.14	Shs 5.94

Company statement of profit or loss and other comprehensive income

	Notes	2021 Shs'000	2020 Shs'000
Revenue	5	800,631	694,928
Net gain/(loss) arising from changes in fair value of biological assets	13 (b)	5,817	(378)
Cost of production		(499,361)	(430,023)
Gross profit		307,087	264,527
Interest receivable		25,756	24,063
Dividends from subsidiaries		85,249	132,054
Other income		93,316	96,700
Net foreign exchange gains		11,644	36,154
Distribution costs		(41,068)	(36,065)
Administrative expenses		(329,521)	(326,788)
Other operating expenses		(4,345)	(4,059)
Finance costs	8	(1,933)	(1,905)
Profit before tax	6	146,185	184,681
Tax charge	9 (a)	(23,077)	(16,465)
Profit for the year		123,108	168,216
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	24 (b)	(3,737)	(5,864)
Deferred tax credit attributable to remeasurement of defined benefit asset	9 (b)	1,121	1,759
Other comprehensive loss for the year		(2,616)	(4,105)
Total comprehensive income for the year		120,492	164,111

Consolidated statement of financial position

As at 30 September 2021

	Notes	2021 Shs'000	2020 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12 (a)	2,674,047	2,547,040
Right of use asset	15	36,787	22,483
Investment properties	14	12,372	12,524
Investment in unquoted shares	18	10,028	10,028
Deferred tax assets	23	6,465	6,027
Post employment benefit asset	24 (b)	85,421	74,218
		2,825,120	2,672,320
Current assets			
Inventories	19	676,993	690,380
Biological assets	13 (a)	751,922	723,739
Receivables and prepayments	20	826,226	1,429,739
Tax recoverable	9 (c)	24,709	20,615
Cash and cash equivalents	21	421,099	294,211
		2,700,949	3,158,684
Total assets		5,526,069	5,831,004
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Translation deficit		(211,672)	(244,075)
Retained earnings		3,760,291	4,293,562
Shareholders' funds		3,933,115	4,433,983
Non-current liabilities			
Deferred tax liabilities	23	613,617	594,317
Post employment benefit obligations	24 (a)	312,668	285,629
Borrowings	25	132,336	149,901
Lease liability	27	34,058	16,999
		1,092,679	1,046,846
Current liabilities			
Payables and accrued expenses	26	343,088	241,323
Tax payable	9 (c)	11,623	21,282
Borrowings	25	139,402	79,359
Lease liability	27	6,162	8,211
		500,275	350,175
Total equity and liabilities		5,526,069	5,831,004

The financial statements on pages 12 to 84 were approved for issue by the board of directors on 15 February 2022 and were signed on its behalf by:

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

Company statement of financial position

As at 30 September 2021

	Notes	2021 Shs'000	2020 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12 (b)	430,376	441,962
Investment properties	14	12,372	12,524
Right of use asset	15	17,618	3,450
Investments in subsidiaries	17	194,018	192,703
Investment in unquoted shares	18	10,028	10,028
Post employment benefit asset	24 (b)	49,293	45,312
		713,705	705,979
Current assets			
Tax recoverable	9 (c)	12,627	9,321
Biological assets	13 (b)	133,301	127,484
Inventories	19	157,247	171,658
Receivables and prepayments	20	628,123	1,416,771
Cash and cash equivalents	21	334,986	224,003
		1,266,284	1,949,237
Total assets		1,979,989	2,655,216
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Retained earnings		1,206,447	1,985,955
Shareholders' funds		1,590,943	2,370,451
Non-current liabilities			
Post employment benefit obligations	24 (a)	124,380	117,732
Deferred tax liability	23	93,852	96,329
Borrowings	25	12,236	10,810
Lease liability	27	15,856	-
		246,324	224,871
Current liabilities			
Payables and accrued expenses	26	140,561	55,753
Lease liability	27	2,161	4,141
		142,722	59,894
Total equity and liabilities		1,979,989	2,655,216

The financial statements on pages 12 to 84 were approved for issue by the board of directors on 15 February 2022 and were signed on its behalf by:

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

Consolidated statement of changes in equity

Year ended 30 September 2020

	Share capital	Share premium	Translation deficit	Retained earnings: Employee benefit reserve	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	300,000	84,496	(291,087)	(20,410)	3,965,015	3,944,605	4,038,014
Profit for the year	-	-	-	-	356,491	356,491	356,491
Other comprehensive income/(loss) for the year	-	-	47,012	(7,534)	-	(7,534)	39,478
Total comprehensive income/(loss) for the year	-	-	47,012	(7,534)	356,491	348,957	395,969
Interim dividends paid	-	-	-	-	-	-	-
At end of year	300,000	84,496	(244,075)	(27,944)	4,321,506	4,293,562	4,433,983
Year ended 30 September 2021							
At start of year	300,000	84,496	(244,075)	(27,944)	4,321,506	4,293,562	4,433,983
Profit for the year	-	-	-	-	368,248	368,248	368,248
Other comprehensive income/(loss) for the year	-	-	32,403	(1,519)	-	(1,519)	30,884
Total comprehensive income/(loss) for the year	-	-	32,403	(1,519)	368,248	366,729	399,132
Interim dividends paid	-	-	-	-	(900,000)	(900,000)	(900,000)
At end of year	300,000	84,496	(211,672)	(29,463)	3,789,754	3,760,291	3,933,115

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.

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

Company statement of changes in equity

Year ended 30 September 2020

	Share capital	Share premium	Retained Earnings: Employee benefit reserve	Retained Earnings: Other	Retained Earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	300,000	84,496	(16,622)	1,838,466	1,821,844	2,206,340
Profit for the year	-	-	-	168,216	168,216	168,216
Other comprehensive loss for the year	-	-	(4,105)	-	(4,105)	(4,105)
Total comprehensive (loss)/ income for the year	-	-	(4,105)	168,216	164,111	164,111
Interim dividends paid	-	-	-	-	-	-
At end of year	300,000	84,496	(20,727)	2,006,682	1,985,955	2,370,451
Year ended 30 September 2021						
At start of year	300,000	84,496	(20,727)	2,006,682	1,985,955	2,370,451
Profit for the year	-	-	-	123,108	123,108	123,108
Other comprehensive loss for the year	-	-	(2,616)	-	(2,616)	(2,616)
Total comprehensive (loss)/ income for the year	-	-	(2,616)	123,108	120,492	120,492
Interim dividends paid	-	-	-	(900,000)	(900,000)	(900,000)
At end of year	300,000	84,496	(23,343)	1,229,790	1,206,447	1,590,943

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

Consolidated statement of cash flows

	Notes	2021 Shs'000	2020 Shs'000
Cash flows from operating activities			
Net cash generated from operations	30 (a)	868,688	776,779
Interest received		36,098	20,058
Interest paid on borrowings		(4,694)	(2,592)
Interest paid on overdrafts	8	(3,516)	(7,974)
Interest paid on lease liability	8	(3,276)	(3,112)
Tax paid	9 (c)	(192,646)	(126,903)
Net cash generated from operating activities		700,654	656,256
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (a)	(467,834)	(365,712)
Purchase of investment property		-	(812)
Proceeds from disposal of property, plant and equipment		38,702	5,862
Loan advanced to parent company		-	(697,755)
Proceeds from loan repayments from parent company		724,876	569,153
Net cash generated from/(used in) investing activities		295,744	(489,264)
Cash flows from financing activities			
Interim dividends paid		(900,000)	-
Proceeds from borrowings		54,451	93,495
Payment of long term borrowings		(88,421)	(35,594)
Payment of lease liabilities		(6,882)	(6,346)
Net cash (used in)/generated from financing activities		(940,852)	51,555
Net increase in cash and cash equivalents		55,546	218,547
Cash and cash equivalents at start of year		291,377	74,727
Foreign exchange adjustment		633	(1,897)
Cash and cash equivalents at end of year	21	347,556	291,377

Company statement of cash flows

	Notes	2021 Shs'000	2020 Shs'000
Cash flows from operating activities			
Net cash generated from operations	30 (b)	346,373	377,982
Interest received		34,935	19,954
Interest on lease liability		(507)	(479)
Tax paid	9 (c)	(27,739)	(1,909)
Net cash generated from operating activities		353,062	395,548
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (b)	(64,465)	(62,642)
Purchase of investment property		-	(812)
Proceeds from disposals of property, plant and equipment		2,453	5,861
Loan advanced to parent company		-	(697,755)
Proceeds from loan repayment from parent company		724,876	569,153
Net cash generated from/(used in) investing activities		662,864	(186,195)
Cash flows used in financing activities			
Dividends paid		(900,000)	-
Payment of lease liabilities		(3,628)	(3,016)
Net cash used in financing activities		(903,628)	(3,016)
Net increase in cash and cash equivalents		112,298	206,337
At start of year		224,003	19,650
Foreign exchange adjustment		(1,315)	(1,984)
Cash and cash equivalents at end of year	21	334,986	224,003

Notes to the consolidated financial statements

1. General information

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

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

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

2. Accounting policies

Statement of compliance

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

Basis of preparation

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

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

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

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2021

The following new and revised IFRSs became effective during the current year:

Amendment to IAS 1 and IAS 8 Definition of Material

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3 Definition of a Business

The amendments revised the definition of a business which will likely reduce the number of transactions qualifying as business combinations.

The adoption of the amendments had no impact on these financial statements.

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The amendments provide certain reliefs in relation to interest rate benchmark reform and relate to hedge accounting.

The group has not entered into any hedging contracts at any time during the financial period. The amendments are therefore not relevant to these financial statements.

Revised Conceptual Framework for Financial Reporting

The conceptual Framework is not a Standard and none of the concepts contained within the framework override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place, and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework.

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on these financial statements.

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

New and Amendments to standards	***Effective for annual periods beginning on or after***
Amendments to IAS 1 Classification of liabilities as current or non-current.	1 January 2023, with earlier application permitted.
Amendments to IAS 16 Property, plant and equipment – Proceeds before intended use.	1 January 2022, with earlier application permitted.
Amendments to IAS 37 Onerous Contracts – Cost of fulfilling a Contract.	1 January 2022, with earlier application permitted.
Amendments to IAS 1 and IFRS practice statement 2 Disclosure of accounting policies.	1 January 2023, with earlier application permitted.
Amendments to IAS 8 Definition of accounting estimates	1 January 2023, with earlier application permitted.
Annual Improvements to IFRSs 2018-2020 cycle which included amendments to IAS 41 Agriculture.	1 January 2022, with earlier application permitted.

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

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to IAS 8 Definition of accounting estimates

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

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

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

Annual Improvements to IFRS Standards 2018-2020

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

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

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

Consolidation

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

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

Costs related to acquisitions are expensed as incurred.

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

A list of subsidiary companies is shown in Note 17.

Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

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

Consolidation

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

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

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

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

Non-current assets held for sale *(continued)*

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continue to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

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

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

Revenue is recognised as follows:

i. Sisal fibre export sales

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

ii. Local sales

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

iii. Clearing and Forwarding Services

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

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

v. Produce grown on contract

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

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

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. Provision is made for slow moving and obsolete inventories.

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

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

Property, plant and equipment

All property, plant and equipment, including sisal bearer plants, are originally recorded at cost.

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

All property, plant and equipment, including sisal bearer plants after maturity, are subsequently stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure directly attributable to the acquisition of the assets.

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

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

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

Buildings	50 years
Plant and machinery	
(including vehicles and equipment)	5 – 10 years
Computer software	5 years
Bearer plants	8 years

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

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

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)*

Investment property

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

Investment in unquoted shares

Unquoted investments are stated at cost less provision for impairment.

Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period at fair value less estimated selling costs. Gains and losses arising on the initial recognition of biological assets and from subsequent changes in fair value less estimated selling costs are recognised in profit or loss in the accounting period in which they arise. The fair value of unharvested agricultural produce at the end of each reporting period is measured at the assessed fibre content of the leaves expected to be obtained within the next harvesting cycle.

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

Impairment

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

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

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

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

Accounting for leases

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

Accounting for leases *(continued)*

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

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

Offsetting

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

Taxation

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

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

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

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

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

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

Post-employment benefit obligations

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

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

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

Post-employment benefit obligations *(continued)*

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

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

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

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

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

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

Employee entitlements

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

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

Investment in subsidiaries

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

Long-term loans to subsidiaries, settlement of which has not been planned for the foreseeable future, are regarded as part of the net investment in the subsidiaries. In accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates, the exchange differences arising on such loans are dealt with in the statement of changes in equity.

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

Financial instruments

Financial assets and financial liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments constituting such assets and liabilities.

Trade receivables

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts. Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counterparty or when there is a default or delinquency in payment according to agreed terms. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

Impairment of financial assets

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

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

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

(i) Significant increase in credit risk

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

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

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

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

(ii) Definition of default

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

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

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

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

(iii) Measurement and recognition of expected credit losses

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

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

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

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

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

Impairment of financial assets *(continued)*

Cash and cash equivalents

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

Borrowings

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

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

Trade payables

Trade payables are stated at their nominal value.

Fair value measurement

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

Biological assets are stated at fair value at each reporting date.

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

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

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

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

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

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

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

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

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

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

Borrowings costs

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

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

Notes to the consolidated financial statements *(continued)*

2. Accounting policies *(continued)*

Share Capital

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

Provisions

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

Dividends

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

Comparatives

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

(a) Critical judgements in applying accounting principles

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

(b) Key sources of estimation uncertainty

Impairment losses

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

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

Property, plant, equipment and intangible assets

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

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

Notes to the consolidated financial statements *(continued)*

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

Biological assets

(a) Horticultural crops

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

(b) Agricultural produce at the point of harvest

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

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

Defined benefit retirement scheme

Critical assumptions are made by the actuary in determining the present value of the defined benefit retirement scheme obligations. The carrying amount of the post employment benefit asset and the key assumptions made in estimating the post employment benefit asset are set out in Note 24 (b).

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

Future investment returns on scheme assets that are either above or below expectations.

Changes in actuarial assumptions including mortality of participating members.

Higher or lower rates of inflation and/or rising or falling bond returns rates used to discount the defined benefit obligation.

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

Deferred tax asset

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

Income taxes

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

Lease liability

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

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

Notes to the consolidated financial statements *(continued)*

4. Financial risk management

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

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

Categories of financial instruments	**Group**		**Company**	
	2021	**2020**	**2021**	**2020**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	1,208,016	1,687,483	958,013	1,635,446
Financial liabilities				
Payables	343,088	241,323	140,561	55,753
Borrowings	271,738	229,260	12,236	10,810
Lease liabilities	40,220	25,210	18,017	4,141
	655,046	495,793	170,814	70,704

Market risk

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

Foreign exchange risk

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

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

Notes to the consolidated financial statements *(continued)*

4. Financial risk management *(continued)*

Foreign exchange risk (continued)

	Assets		Liabilities	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
US Dollars	693,700	1,196,006	40,264	87,060
Sterling Pound	245	486	6,743	6,288
Euro	99	2,878	138,414	182,541
	694,044	1,199,370	185,421	275,889
Company				
US Dollars	430,445	947,409	8,288	8,275

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.

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Impact on profit or loss:				
US Dollar	32,672(i)	55,447(i)	21,108(i)	46,957(i)
Euro	6,916(ii)	8,983(ii)	-	-
Sterling Pound	325(ii)	290(ii)	-	-

(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 these currencies 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 and Euro by 5%. A strengthening of the Kenya Shilling against the Sterling Pound and Euro by 5% would result in an increase of the same amount

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

Price risk

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

Interest rate risk

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

Interest rate sensitivity

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

If interest rates had been 1% higher/lower and all other variables remained constant, the group's and company's profit before tax for the year ended 30 September 2021 would have been decreased/increased as below:

Group		Company	
2021	2020	2021	2020
Shs'000	Shs'000	Shs'000	Shs'000
2,717	2,293	122	108

Notes to the consolidated financial statements *(continued)*

4. Financial risk management *(continued)*

Credit risk (continued)

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

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

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

Group 2021	Internal/external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	31,692	-	31,692
Due from related companies	Performing	Lifetime ECL (simplified approach)	321,839	-	321,839
Other receivables	Performing	Lifetime ECL (simplified approach)	433,386	-	433,386
Bank balances	Investment grade	12 months ECL	408,109	-	408,109
			1,195,026	-	1,195,026

Notes to the consolidated financial statements *(continued)*

4. Financial risk management *(continued)*

Credit risk (continued)

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

Group

2020	Internal/external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	30,719	-	30,719
Due from a related company	Performing	Lifetime ECL (simplified approach)	971,148	-	971,148
Other receivables	Performing	Lifetime ECL (simplified approach)	391,405	-	391,405
Bank balances	Investment grade	12 months ECL	280,708	-	280,708
			1,673,980	-	1,673,980

Company

2021	Internal/external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	13	-	13
Due from a related company	Performing	Lifetime ECL (simplified approach)	589,179	-	589,179
Other receivables	Performing	Lifetime ECL (simplified approach)	33,835	-	33,835
Bank balances	Investment grade	12 months ECL	334,242	-	334,242
			957,269	-	957,269

Notes to the consolidated financial statements *(continued)*

4. Financial risk management *(continued)*

Credit risk (continued)

Company 2020	Internal/external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables	Performing	Lifetime ECL (simplified approach)	11,369	-	11,369
Due from related companies	Performing	Lifetime ECL (simplified approach)	1,363,211	-	1,363,211
Other receivables	Performing	Lifetime ECL (simplified approach)	36,863	-	36,863
Bank balances	Investment grade	12 months ELC	222,581	-	222,581
			1,634,024	-	1,634,024

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

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

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

Notes to the consolidated financial statements *(continued)*

4. Financial risk management *(continued)*

Liquidity risk

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

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

Group

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
2021				
Payables, accrued expenses and other liabilities	343,088	-	-	-
Borrowings	139,402	65,647	66,689	-
Deferred charges on borrowings	11,255	8,326	10,380	195
Lease liability	6,162	7,164	19,851	7,043
Deferred charges on lease liability	3,796	3,085	4,436	907
	503,703	84,222	101,356	8,145
2020				
Payables, accrued expenses and other liabilities	241,323	-	-	-
Borrowings	79,360	47,040	92,051	10,810
Deferred charges on borrowings	8,982	3,559	2,946	-
Lease liability	8,211	3,854	13,145	-
Deferred charges on lease liability	2,327	145	112	-
	340,203	54,598	108,254	10,810

Notes to the consolidated financial statements *(continued)*

4. Financial risk management *(continued)*

Liquidity risk (continued)

Company

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
2021				
Trade and other payables	140,561	-	-	-
Borrowings	-	-	-	12,236
Lease liabilities	2,161	2,476	9,655	3,725
Deferred charges on lease liabilities	1,460	1,254	2,219	113
Total financial liabilities	144,182	3,730	11,874	16,074
2020				
Trade and other payables	55,753	-	-	-
Borrowings	-	-	-	10,810
Lease liabilities	4,141	-	-	-
Deferred charges on lease liabilities	126	-	-	-
Total financial liabilities	60,020	-	-	10,810

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	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Amounts utilised	259,502	218,451	-	-
Amounts unutilised	407,253	475,224	-	-
Total available facilities	666,755	693,675	-	-

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	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
	4,140,365	3,850,622	-	-

Notes to the consolidated financial statements *(continued)*

4. Financial risk management *(continued)*

Capital risk management

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

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

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

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

The group and company did not have any net borrowings at the end of the reporting period and the previous year.

5. Total revenue

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre	3,128,452	2,888,103	800,631	694,928
Yarn & Twines	332,721	360,353	-	-
Horticulture	233,860	165,510	-	-
Forwarding services	84,548	70,879	-	-
	3,779,581	3,484,845	800,631	694,928

Notes to the consolidated financial statements *(continued)*

6. Profit before tax

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
The profit before tax is arrived at after charging /(crediting):				
Depreciation on properties, plant and equipment (Note 12)	361,901	347,533	75,836	76,283
Depreciation on investment properties (Note 14)	151	140	151	140
Depreciation on right of use asset (Note 15)	8,167	8,550	3,698	3,792
Operating lease payments	1,792	1,792	1,792	1,792
Staff costs (Note 7)	1,549,379	1,480,022	440,043	439,446
Auditors' remuneration	14,063	13,468	4,715	4,482
Directors' emoluments - fees	6,436	5,332	4,680	4,080
- for management services	86,406	87,693	52,257	45,768
	84,702	93,025	56,937	49,848
Profit on disposal of property, plant and equipment	(38,394)	(5,644)	(2,238)	(5,644)

7. Staff costs

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and wages	1,358,210	1,321,575	395,352	404,003
National Social Security Fund	53,714	53,650	2,394	2,696
Pension contributions –defined benefit retirement scheme credit (Note 24(b))	(8,073)	(6,671)	(4,660)	(4,072)
Pension contributions – defined contribution scheme	6,681	6,026	2,371	2,576
Gratuity and other terminal benefits	64,752	38,603	21,787	16,718
Medical	74,095	66,839	22,799	17,525
	1,549,379	1,480,022	440,043	439,446
Summary of permanent employees				
Management	73	62	20	21
Supervisory	169	145	48	48
Unionisable	4,598	4,964	854	978
Others	7	66	-	56
	4,847	5,237	922	1,103

Notes to the consolidated financial statements *(continued)*

8. Finance costs

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Interest on borrowings	6,119	4,018	1,426	1,426
Interest on overdrafts	3,516	7,974	-	-
Interest on lease liability	3,276	3,112	507	479
	12,911	15,104	1,933	1,905

9. Tax

	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
(a) Tax charge recognised in profit or loss				
Current tax	177,236	172,237	24,433	25,165
Prior years tax assessments	1,631	-	-	-
Deferred tax charge/(credit) (Note 23)	13,257	(8,040)	(1,356)	(8,700)
	192,124	164,197	23,077	16,465

Notes to the consolidated financial statements *(continued)*

9. Tax *(continued)*

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before tax	560,372	520,688	146,185	184,681
Tax calculated at respective current tax rates	162,989	136,407	42,028	46,170
Tax effect of:				
Income not subject to tax	980	(5,090)	(24,509)	(33,630)
Expenses not deductible for tax purposes	26,769	33,354	6,101	5,444
(Over)/under provision of deferred tax in prior year	(245)	(352)	55	15
(Over)/under provision of current tax in prior year	(476)	156	(539)	(84)
Effect of change in tax rate	476	(278)	(59)	(1,450)
Prior year tax assessments	1,631	-	-	-
Tax charge	192,124	164,197	23,077	16,465

(b) Tax credit recognised in other comprehensive loss

Deferred tax credit attributable to remeasurement of net defined benefit asset	(651)	(3,228)	(1,121)	(1,759)

The current tax rate for the Kenyan companies was 28.75% (2020:25%) while that for Tanzanian companies was 30% (2020:30%).

Notes to the consolidated financial statements *(continued)*

9. Tax *(continued)*

(c) Tax movement

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At beginning of year	667	(44,735)	(9,321)	(32,577)
Current year charge	177,236	172,237	24,433	25,165
Prior year tax assessment	1,631	-	-	-
Tax paid	(192,646)	(126,903)	(27,739)	(1,909)
Translation adjustment	26	68	-	-
At end of year	(13,086)	667	(12,627)	(9,321)

Balances at year end

Tax recoverable	(24,709)	(20,615)	(12,627)	(9,321)
Tax payable	11,623	21,282	-	-
	(13,086)	667	(12,627)	(9,321)

Notes to the consolidated financial statements *(continued)*

10. Earnings per share

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

	Group	
	2021	**2020**
	Shs'000	**Shs'000**
Profit for the year (Shs '000)	368,248	356,491
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	6.14	5.94

There were no potentially dilutive ordinary shares outstanding at 30 September 2021 and at 30 September 2020. Diluted earnings per share are therefore the same as basic earnings per share.

11. Dividends

Interim dividends amounting to Shs 15 per share were declared and paid in respect of the year ended 30 September 2021. (2020: Shs Nil).

Notes to the consolidated financial statements *(continued)*

12. Property, plant and equipment

(a) Group

Cost

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Bearer plants Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2019 - Restated	168,021	453,551	1,528,546	9,408	1,779,841	352,818	4,292,185
Additions	-	22,962	78,527	70	205,356	58,797	365,712
Transfers	-	11,562	35,130	-	-	(46,692)	-
Disposals	-	-	(15,094)	-	-	-	(15,094)
Assets written off	-	-	(13,131)	(318)	(75,076)	-	(88,525)
Translation adjustment	2,653	5,606	25,061	68	27,409	288	61,085
At 30 September 2020 - Restated	170,674	493,681	1,639,039	9,228	1,937,530	365,211	4,615,363
At 1 October 2021	170,674	493,681	1,639,039	9,228	1,937,530	365,211	4,615,363
Additions	-	2,883	114,419	775	244,065	105,692	467,834
Transfers	-	11,249	63,028	-	-	(74,277)	-
Disposals	-	(138)	(38,088)	-	-	-	(38,226)
Assets written off	-	-	(38,714)	-	(138,159)	-	(176,873)
Translation adjustment	1,760	3,783	17,456	45	19,502	554	43,100
At 30 September 2021	172,434	511,458	1,757,140	10,048	2,062,938	397,180	4,911,198

Notes to the consolidated financial statements *(continued)*

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

(a) Group

Depreciation

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Bearer plants Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2019 - Restated	17,216	68,457	1,035,883	6,465	666,231	-	1,794,252
Charge for the year	5,812	9,197	146,961	1,428	184,135	-	347,533
Eliminated on disposals	-	-	(14,876)	-	-	-	(14,876)
Eliminated on write offs	-	-	(13,131)	(318)	(75,076)	-	(88,525)
Translation adjustment	426	696	18,312	59	10,446	-	29,939
At 30 September 2020 - Restated	23,454	78,350	1,173,149	7,634	785,736	-	2,068,323
At 1 October 2020	23,454	78,350	1,173,149	7,634	785,736	-	2,068,323
Charge for the year	5,994	9,939	148,584	821	196,563	-	361,901
Eliminated on disposals	-	(51)	(37,867)	-	-	-	(37,918)
Eliminated on write offs	-	-	(38,714)	-	(138,159)	-	(176,873)
Translation adjustment	381	526	13,083	42	7,686	-	21,718
At 30 September 2021	29,829	88,764	1,258,235	8,497	851,826	-	2,237,151
Net book amount							
At 30 September 2021	142,605	422,694	498,905	1,551	1,211,112	397,180	2,674,047
At 30 September 2020 - Restated	147,220	415,331	465,890	1,594	1,151,794	365,211	2,547,040

Notes to the consolidated financial statements *(continued)*

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

(a) Group

Included in property, plant and equipment are assets with an original cost of Shs 696,257,000 (2020:

Shs 657,177,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 115,537,000 (2020: Shs 98,672,000).

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

Interest expense directly attributable to the acquisition and construction of qualifying assets capitalised during the year amounted to Shs 10,101,000 (2020: Shs 4,807,000).

During the year, management carried out a review of the working condition of the group's plant and machinery. This review led to the write-off of assets whose total cost was Shs 38,714,000 (2020: Shs 13,499,000) and had a carrying value of Shs nil (2020: Shs nil). Bearer plants with a total cost of Shs 138,159,000 (2020: Shs 75,076,000) and a carrying value of Shs nil (2020: Shs nil) were cut out, having reached the end of their productive life.

Based on an impairment review performed by the directors at 30 September 2021, no further indications of impairment of property, plant and equipment were identified. (2020: none).

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

The remaining periods for the land titles in Tanzania range from 10 years to 42 years.

Notes to the consolidated financial statements *(continued)*

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

(b) Company

Cost

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Bearer plants Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2019	2,699	130,927	309,477	2,940	424,251	320	870,614
Additions	-	837	26,841	70	34,792	102	62,642
Transfers	-	-	422	-	-	(422)	-
Disposals	-	-	(15,094)	-	-	-	(15,094)
Assets written off	-	-	(388)	(318)	(27,482)	-	(28,188)
At 30 September 2020	2,699	131,764	321,258	2,692	431,561	-	889,974
At October 2020	2,699	131,764	321,258	2,692	431,561	-	889,974
Additions	-	-	27,725	326	36,093	321	64,465
Transfers	-	-	-	-	-	-	-
Disposals	-	-	(6,734)	-	-	-	(6,734)
Assets written off	-	-	(19,634)	-	(40,167)	-	(59,801)
At 30 September 2021	2,699	131,764	322,615	3,018	427,487	321	887,904

Notes to the consolidated financial statements *(continued)*

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

(b) Company

Depreciation

	Leasehold land	Buildings	Plant and machinery	Software	Bearer plants	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 October 2019	138	23,159	208,108	2,021	181,367	-	414,793
Charge for the year	33	2,539	29,275	287	44,149	-	76,283
Eliminated on disposals	-	-	(14,876)	-	-	-	(14,876)
Eliminated on write offs	-	-	(388)	(318)	(27,482)	-	(28,188)
At 30 September 2020	171	25,698	222,119	1,990	198,034	-	448,012
At 1 October 2020	171	25,698	222,119	1,990	198,034	-	448,012
Charge for the year	33	2,551	29,767	324	43,161	-	75,836
Eliminated on disposals	-	-	(6,519)	-	-	-	(6,519)
Eliminated on write offs	-	-	(19,634)	-	(40,167)	-	(59,801)
At 30 September 2021	204	28,249	225,733	2,314	201,028	-	457,528
Net book amount							
At 30 September 2021	2,495	103,515	96,882	704	226,459	321	430,376
At 30 September 2020	2,528	106,066	99,139	702	233,527	-	441,962

Included in property, plant and equipment are assets with an original cost of Shs 112,318,000 (2020:Shs 120,506,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 21,302,000 (2020:Shs 23,032,000).

During the year management carried out a review of the working condition of the company's plant and machinery. This review led to the write-off of assets whose total cost was Shs 19,634,000 (2020: Shs 706,000) and had a carrying value of Shs nil (2020: Shs nil). Bearer plants with a total cost of Shs 40,167,000 (2020: Shs 27,482,000) were also cut out having reached the end of their productive life.

Based on an impairment review performed by the directors as at 30 September 2021, no indications of further impairment of property, plant and equipment were identified. (2020: none).

The company's land titles consist of beach plots in a residential development managed by an unrelated company, Vipingo Beach Limited (Note 14).

Notes to the consolidated financial statements *(continued)*

13. Biological assets

(a) Group

	Horticultural crops Shs'000	Sisal agricultural produce Shs'000	Total Shs'000
Year ended 30 September 2020			
Carrying amount at start of the year	16,316	652,316	668,632
Gain arising from changes in fair value attributable to physical changes	21,959	8,340	30,299
Gain arising from changes in fair value attributable to price changes	-	14,046	14,046
Net fair value gain	21,959	22,386	44,345
Translation adjustment	-	10,762	10,762
Carrying amount at end of the year	38,275	685,464	723,739
Year ended 30 September 2021			
Carrying amount at start of the year	38,275	685,464	723,739
Gain/(loss) arising from changes in fair value attributable to physical changes	18,727	(63,906)	(45,179)
Gain arising from changes in fair value attributable to price changes	-	66,337	66,337
Net fair value gain	18,727	2,431	21,158
Translation adjustment	-	7,025	7,025
Carrying amount at end of year	57,002	694,920	751,922

Notes to the consolidated financial statements *(continued)*

13. Biological assets *(continued)*

(b) Company

Sisal agricultural produce	2021 Shs'000	2020 Shs'000
Carrying amount at start of year	127,484	127,862
Loss arising from changes in fair value attributable to physical changes	(7,016)	(4,781)
Gain arising from changes in fair value attributable to price changes	12,833	4,403
Net fair value gain/(loss)	5,817	(378)
Carrying amount at end of year	133,301	127,484

Notes to the consolidated financial statements *(continued)*

13. Biological assets *(continued)*

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

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

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

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

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

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

	Weeks
Baby corn	12
Chillies	18
Water melons	13

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

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

Notes to the consolidated financial statements *(continued)*

14. Investment properties

The group holds 7 plots in a residential development managed by an unrelated company, Vipingo Beach Limited. Two plots are utilised and are included in property, plant and equipment. The information given below relates to the remaining 5 plots which are held as investment property. The properties are held under leasehold interests. The directors consider that the titles to leasehold land held by the group and company constitute finance leases.

Investment properties

	Group and Company	
	2021	**2020**
	Shs'000	**Shs'000**
Cost		
At start of year	13,541	12,729
Additions	-	812
	13,541	13,541
Depreciation		
At start of year	1,017	877
Charge for the year	151	140
At year end	1,168	1,017
Carrying value at end of year	12,372	12,524
Fair value	47,500	49,500

The fair values of investment properties at 30 September 2021 are based on valuations made by Lloyd Masika Limited, Registered Valuers at the end of the year.

The fair values of investment properties at 30 September 2020 were based on the latest known contract prices of similar plots.

Notes to the consolidated financial statements *(continued)*

15. Right of use asset

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Cost				
At start of year	36,812	34,544	11,037	11,146
Additions	23,593	2,377	17,866	-
Modification of scope of lease	(2,803)	(109)	-	(109)
Cancellation of old lease	(11,037)	-	(11,037)	-
At end of year	46,565	36,812	17,866	11,037
Depreciation				
At start of year	14,329	5,805	7,587	3,821
Charge for the year	8,167	8,550	3,698	3,792
Modification of scope of lease	(1,681)	(26)	-	(26)
Cancellation of old lease	(11,037)	-	(11,037)	-
At end of year	9,778	14,329	248	7,587
Net book amount	36,787	22,483	17,618	3,450

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

During the year a subsidiary company surrendered the remaining portion of a licence to occupy and entered into a replacement licence for the same parcel of agricultural land.

The remaining portion of a lease in respect of office accommodation was modified to reflect the terms negotiated for a new lease for the same premises.

IFRS 16 requires that right of use assets be tested for impairment in accordance with IAS 36. An impairment review performed by the directors at 30 September 2021 did not identify any impairment in the carrying value of the right of use asset (2020: None).

Notes to the consolidated financial statements *(continued)*

16. Fair value hierarchy

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

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

Group

	Level 1	Level 2	Level 3
	Shs'000	Shs'000	Shs'000
30 September 2021			
Biological assets	-	-	751,922
Investment properties	-	47,500	-
30 September 2020			
Biological assets	-	-	723,739
Investment properties	-	49,500	-

Company

	Level 1	Level 2	Level 3
	Shs'000	Shs'000	Shs'000
30 September 2021			
Biological assets	-	-	133,301
Investment properties	-	47,500	-
30 September 2020			
Biological assets	-	-	127,484
Investment properties	-	49,500	-

Fair value of biological assets is assessed as follows:

Sisal agriculture produce – estimated fibre content of the leaves which may be expected to be cut during the next harvesting cycle, less anticipated harvesting, fibre extraction and costs to sale.

Horticultural crops:

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

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

The fair values of investment properties at 30 September 2021 are based on valuations made by Lloyd Masika Limited, Registered Valuers at the end of the year.

Notes to the consolidated financial statements *(continued)*

17. Investment in subsidiaries

	Company	
	2021	2020
	Shs'000	Shs'000
Shares in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	59,843	58,528
	194,018	192,703

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

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

The long term receivable is in respect of a loan due from Amboni Spinning Mill Limited. As settlement of this loan is not anticipated in the near future, it has been accounted for as an addition to the investment in the subsidiary company in accordance with the provision of IAS 21.

Notes to the consolidated financial statements *(continued)*

18. Investment in unquoted shares – at cost

	Group and Company	
	2021	2020
	Shs'000	Shs'000
700 shares in Vipingo Beach Limited	10,028	10,028

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

19. Inventories

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre at fair value less estimated cost of sale	340,716	420,984	109,586	135,149
Horticultural produce at fair value less estimated cost of sale	168	61	-	-
Finished goods at lower of cost or net realisable value less provision	49,955	47,386	-	-
Stores and raw materials at lower of cost or net realisable value less provision	286,154	221,949	47,661	36,509
	676,993	690,380	157,247	171,658

20. Receivables and prepayments

Trade receivables	31,692	30,719	13	11,369
Prepayments	39,309	36,467	5,096	5,328
Amount due from related parties (Note 31 (v) & (vi))	321,839	971,148	109,657	746,265
Amounts due from group companies (Note 31 (vi))	-	-	479,522	616,946
VAT recoverable	404,899	380,045	33,067	36,208
Other receivables	28,487	11,360	768	655
	826,226	1,429,739	628,123	1,416,771

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

Notes to the consolidated financial statements *(continued)*

21. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Cash in hand	12,990	13,503	744	1,422
Cash at bank				
Current accounts	51,860	172,030	15,057	113,903
Deposits				
Term deposit - USD	319,185	108,678	319,185	108,678
Term deposit - Tsh	37,064	-	-	-
Total cash at bank	408,109	280,708	334,242	222,581
Total cash and cash equivalents	421,099	294,211	334,986	224,003

The effective average interest rate on the USD bank deposits at the year end was 3%.

The effective average interest rate of the Tsh deposits at the year end was 8.5%.

All term deposits mature within a period not exceeding 90 days.

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Cash at bank and in hand as above	421,099	294,211	334,986	224,003
Bank overdrafts (Note 25)	(73,543)	(2,834)	-	-
	347,556	291,377	334,986	224,003

Notes to the consolidated financial statements *(continued)*

22. Share capital

Authorised, issued and fully paid	Number of shares (Thousands)	Share Capital Shs'000	Share Premium Shs'000
Balance at 1 October 2019, 1 October 2020 and 30 September 2021	60,000	300,000	84,496

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

23. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2020: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	588,290	590,159	96,329	106,788
Tax charge/(credit) recognised in profit or loss (Note 9 (a))	13,257	(8,040)	(1,356)	(8,700)
Tax credit recognised in other comprehensive income/(loss) (Note 9(b))	(651)	(3,228)	(1,121)	(1,759)
Translation adjustment	6,256	9,399	-	-
At end of year	607,152	588,290	93,852	96,329

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax assets	(6,465)	(6,027)	-	-
Deferred tax liabilities	613,617	594,317	93,852	96,329
	607,152	588,290	93,852	96,329

Notes to the consolidated financial statements *(continued)*

23. Deferred tax *(continued)*

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

Group

	1.10.2020	Charged/ (credited) to profit or loss	Credited to other comprehensive income	Translation adjustment	30.9.2021
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities					
Accelerated tax depreciation	485,257	10,678	-	5,110	501,045
Horticultural crops	11,482	5,618	-	-	17,100
Sisal agricultural produce at point of harvest	205,640	730	-	2,108	208,478
Post employment benefit asset	22,264	4,012	(651)	-	25,625
Right of use asset	6,746	4,290	-	-	11,036
	731,389	25,328	(651)	7,218	763,284
Deferred tax assets					
Provisions	(135,538)	(7,567)	-	(962)	(144,067)
Lease liability	(7,561)	(4,504)	-	-	(12,065)
	(143,099)	(12,071)	-	(962)	(156,132)
Net deferred tax liability	588,290	13,257	(651)	6,256	607,152

Notes to the consolidated financial statements *(continued)*

23. Deferred tax *(continued)*

Company

	1.10.2020	Credited to profit or loss	Credited to other comprehensive income	30.09.2021
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	97,538	(5,076)	-	92,462
Agricultural produce at point of harvest	38,247	1,745	-	39,992
Post employment benefit asset	13,593	2,315	(1,121)	14,787
Right of use asset	1,035	4,250	-	5,285
	150,413	3,234	(1,121)	152,526
Deferred tax assets				
Provisions	(52,843)	(427)	-	(53,270)
Lease liability	(1,241)	(4,163)	-	(5,404)
	(54,084)	(4,590)	-	(58,674)
Net deferred tax liability	96,329	(1,356)	(1,121)	93,852

Notes to the consolidated financial statements *(continued)*

24. Post employment benefit obligations/ (asset)

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Post employment benefit obligations/(asset) comprise:				
(a) Staff retirement gratuity	312,668	285,629	124,380	117,732
(b) Defined benefit retirement scheme	(85,421)	(74,218)	(49,293)	(45,312)

(a) Staff retirement gratuity

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	285,629	278,929	117,732	115,761
Charged to profit or loss	64,403	38,122	21,623	16,237
Utilised during year	(38,823)	(33,475)	(14,975)	(14,266)
Translation adjustment	1,459	2,053	-	-
At end of year	312,668	285,629	124,380	117,732

(b) Defined benefit retirement scheme

The group operates a final salary defined benefit pension scheme for certain employees. The assets of the scheme are held in a separate trustee administered fund. The pension cost to the group is assessed in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years. The next full valuation is due on 1 January 2024.

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Present value of funded obligations	316,982	329,650	182,914	201,258
Fair value of scheme assets	(490,583)	(421,124)	(283,091)	(257,105)
Effect of asset ceiling	88,180	17,256	50,884	10,535
Net asset in statement of financial position	(85,421)	(74,218)	(49,293)	(45,312)

Notes to the consolidated financial statements *(continued)*

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

(b) Defined benefit retirement scheme *(continued)*

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

	Group	
	2021	2020
	Shs'000	Shs'000
Opening defined benefit asset	(74,218)	(72,609)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	1,699	2,457
Interest on obligation	42,873	37,669
Interest on effect of asset ceiling	2,243	3,428
Interest income on plan assets	(54,888)	(50,225)
Net credit for the year included in staff costs (Note 7)	(8,073)	(6,671)
Employer's contributions	(5,300)	(5,700)
Amount recognised in other comprehensive income/(loss):		
Actuarial gain – obligation	879	925
Actuarial loss - experience	(55,004)	-
Return on plan assets (excluding amount in interest cost)	(12,386)	23,003
Change in effect of asset ceiling (excluding amount in interest cost)	68,681	(13,166)
Total amount recognised in other comprehensive income	2,170	10,762
Defined benefit asset at the end of the reporting period	(85,421)	(74,218)
Reconciliation of benefit obligation		
Opening benefit obligation	329,650	297,441
Current service cost	1,699	2,457
Interest cost	42,873	37,669
Employee contributions	3,903	3,910
Actuarial loss – change of assumptions	879	925
Actuarial loss – experience	(55,004)	-
Benefits paid	(7,018)	(12,752)
Closing benefit obligation	316,982	329,650
Reconciliation of assets		
Opening market value of assets	(421,124)	(397,044)
Interest income on plan assets	(54,888)	(50,225)
Employer contributions	(5,300)	(5,700)
Employee contributions	(3,903)	(3,910)
Return on plan assets	(12,386)	23,003
Benefits paid	7,018	12,752
Closing market value of assets	(490,583)	(421,124)

Notes to the consolidated financial statements *(continued)*

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

(b) Defined benefit retirement scheme *(continued)*

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

	Company	
	2021	2020
	Shs'000	Shs'000
Opening defined benefit asset	(45,312)	(43,625)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	980	1,500
Interest on obligation	24,740	22,998
Interest on effect of asset ceiling	1,294	2,093
Interest income on plan assets	(31,674)	(30,663)
Net credit for the year included in staff costs	(4,660)	(4,072)
Employer's contributions	(3,058)	(3,479)
Amount recognised in other comprehensive income/(loss)	3,737	5,864
Defined benefit asset at the end of the reporting period	(49,293)	(45,312)

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

Notes to the consolidated financial statements *(continued)*

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

(b) Defined benefit retirement scheme *(continued)*

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

	2021	**2020**
- discount rate	13.30%	13.0%
- future salary increases	8.0%	8.0%
- future pension increases	0%	0%

Other disclosures

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

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

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

Present value of obligation

2021

	Ksh'000 Current Discount Rate (%) (13.3%)	**Ksh'000** Discount Rate – 1% (%) (12.3%)
	317,000	316,500

2020

	Ksh'000 Current Discount Rate (13%)	**Ksh'000** Discount Rate – 1% (12%)
	329,700	329,000

Notes to the consolidated financial statements *(continued)*

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

(b) Defined benefit retirement scheme *(continued)*

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

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

Maturity Analysis of the Liability:
The weighted average duration of the liability as at 30 September 2021 is 0.15 (2020: 0.2)

Notes to the consolidated financial statements *(continued)*

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

(b) Defined benefit retirement scheme *(continued)*

Scheme assets

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

	2021		2020	
	Shs'000	%	Shs'000	%
Government securities	318,205	64.9	250,518	59.5
Quoted equities	123,284	25.1	104,882	24.9
Commercial paper and corporate bonds	-	-	6,588	1.6
Fixed deposits	-	-	58,496	13.9
Cash and contributions due	2,145	0.4	593	0.1
Offshore investments	-	-	47	-
Money market	46,949	9.6	-	-
	490,583	100.0	421,124	100.0

Other post employment benefit obligations

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Defined contribution benefit scheme	5,844	6,026	2,371	2,576

The group and company also make contributions to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. The contributions which have been charged to profit or loss are as below:

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
National Social Security Fund	53,714	53,650	2,394	2,696

Notes to the consolidated financial statements *(continued)*

25. Borrowings

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Bank overdraft	73,543	2,834	-	-
Bank loans	185,959	215,616	-	-
Other borrowings	12,236	10,810	12,236	10,810
Total borrowings	271,738	229,260	12,236	10,810
Less current portion	(139,402)	(79,359)	-	-
Non-current portion	132,336	149,901	12,236	10,810
Maturity of non-current borrowings				
Between 1 and 2 years	65,647	47,040	-	-
Between 2 and 5 years	54,453	92,051	-	-
Between 5 and 10 years	12,236	10,810	12,236	10,810
	132,336	149,901	12,236	10,810

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

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

	2021	2020	Effective Interest Rates
	Shs'000	Shs'000	
Bank overdrafts			
Kenya Shillings	41,321	-	12.25%
Tanzania Shillings	15,915	-	16%
USD	16,307	2,834	7%
	73,543	2,834	
Bank loans			
Euros	138,310	182,540	3%
USD	47,649	33,076	8%
	185,959	215,616	

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

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

Notes to the consolidated financial statements *(continued)*

26. Payables and accrued expenses

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Trade payables	106,129	102,773	15,111	14,312
Amount due to related parties (Note 31 (iv) & (v))	10,862	16,171	2,003	8,294
Provision for leave pay	42,465	36,687	11,049	12,180
Accrued expenses	136,764	36,566	104,934	11,764
Other payables	46,868	49,126	7,464	9,203
	343,088	241,323	140,561	55,753

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

27. Lease liability

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Current	6,162	8,211	2,161	4,141
Non-current	34,058	16,999	15,856	-
	40,220	25,210	18,017	4,141
Maturity of non-current lease liabilty				
Between 1 and 2 years	7,162	3,854	2,475	-
Between 2 and 5 years	15,657	9,671	6,028	-
Between 5 and 10 years	11,239	3,474	7,353	-
	34,058	16,999	15,856	-

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

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
USD	18,017	4,141	18,017	4,141
Kenya Shillings	22,203	21,069	-	-
	40,220	25,210	18,017	4,141

The effective interest rates on the lease liability at the end of the year ranged between 9.5% to 12.33% (2020: 9.5% to 12.33%).

During the year a subsidiary company surrendered the remaining portion of a licence to occupy and entered into a replacement licence for the same parcel of agricultural land.

Notes to the consolidated financial statements *(continued)*

28. Contingent liabilities

There are ongoing legal claims for specific damages which have been brought against group companies by former employees. The directors do not anticipate that these claims will result in significant losses to the group.

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 in place.

The NSSF Act No 45 of 2013, mandates higher rates of contributions to the Kenyan National Social Security Fund for both employees and employers. These were to take effect from 1 June 2014. However, the relevant sections of the Act were stayed by a Court Order. As the date and effects of implementation of the Act are uncertain, no provision for any additional liability has been provided for in these financial statements.

29. Commitments

Capital commitments

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Authorised and contracted for	135,728	97,316	2,548	-

Operating lease commitments

The group as lessee

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

	Group & Company	
	2021	2020
	Shs'000	Shs'000
Not later than 1 year	697	653
Between 2 and 5 years	2,786	-
Over 5 years	639	-
	4,122	653

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

Notes to the consolidated financial statements *(continued)*

29. Commitments *(continued)*

Operating lease commitments (continued)

Group as lessor

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

	2021	2020
	Shs'000	Shs'000
Rent received	496	477
Rent receivable		
Within 1 year	367	348
Within 2-5 years	1,771	1,681
Over 5 years	4,226	4,421
	6,364	6,450

Notes to the consolidated financial statements *(continued)*

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

	Group 2021 Shs'000	2020 Shs'000
(i)Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	560,372	520,688
Adjustment for:		
Defined benefit retirement scheme credit recognised in profit for the year (Note 24 (b))	(8,073)	(6,671)
Employer's contributions to defined benefit retirement scheme (Note 24 b))	(5,300)	(5,700)
Net exchange loss on bank loans and other borrowings	3,320	18,977
Net exchange gain on loan to parent company	(19,765)	(31,438)
Exchange loss on lease liability	94	202
Finance costs recognised in the profit for the year	12,911	15,104
Interest receivable recognised in the profit for the year	(26,919)	(24,167)
Depreciation of property, plant and equipment (Note 12)	361,901	347,533
Depreciation of investment property (Note 14)	151	140
Depreciation of right of use asset (Note 15)	8,167	8,550
Fair value adjustment of biological assets (Note 13)	(21,158)	(44,345)
Profit on sale of property, plant and equipment	(38,394)	(5,644)
Modification of scope of lease	(216)	(38)
Rent concession	(455)	(938)
Operating profit before working capital changes	826,636	792,253
Working capital changes		
- receivables and prepayments	(102,906)	(27,003)
- inventories	19,905	18,779
- payables and accrued expenses	99,472	(11,897)
- Staff retirement gratuity	25,581	4,647
Net cash generated from operations	868,688	776,779
(ii)Analysis of changes in loan to parent company.		
At start of year	714,290	550,140
Loan advanced	-	697,755
Loan repaid	(724,876)	(569,153)
Interest receivable	17,537	23,709
Interest received	(26,716)	(19,599)
Exchange adjustment	19,765	31,438
At end of year	-	714,290
(iii)Analysis of changes in bank loans and other borrowings		
At start of year	226,426	146,996
Bank loan received during the year	54,451	93,495
Repayments	(88,421)	(35,594)
Other borrowings expense interest	1,426	1,426
Exchange adjustments	3,320	18,977
Translation adjustment	993	1,126
At end of year	198,195	226,426

Notes to the consolidated financial statements *(continued)*

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

	Group	
	2021	2020
	Shs'000	Shs'000
(iv)Analysis of changes in lease liability		
At start of year	25,210	30,036
Present value of future lease payments recognised	23,591	2,377
Payments during the year	(6,882)	(6,346)
Interest charge	3,276	3,112
Interest paid	(3,276)	(3,112)
Rent concession as inducement to execute new lease	(455)	(938)
Modification of scope of lease	(1,338)	(121)
Exchange adjustment	94	202
At end of year	40,220	25,210

Notes to the consolidated financial statements *(continued)*

30. (b) Notes to the company statement of cash flows

	Company 2021	2020
	Shs'000	Shs'000
(i) Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	146,185	184,681
Adjustments for:		
Defined benefit retirement scheme credit recognised in profit for the year (Note 24(b))	(4,660)	(4,072)
Employer's contributions to defined benefit retirement scheme (Note 24(b))	(3,058)	(3,479)
Net exchange gain on loan to parent company	(19,765)	(31,438)
Interest receivable recognised in profit for the year	(25,756)	(24,063)
Finance costs recognised in profit for the year (Note 8)	1,933	1,905
Depreciation of right of use asset (Note 15)	3,698	3,792
Depreciation of property, plant and equipment (Note 12)	75,836	76,283
Depreciation of investment properties (Note 14)	151	140
Profit on sale of property, plant and equipment	(2,238)	(5,644)
Fair value adjustment of sisal agricultural produce	(5,817)	378
Exchange loss on lease liability	94	202
Modification of scope of lease	-	(38)
Rent concession	(455)	(938)
Operating profit before working capital changes	166,148	197,709
Working capital changes		
- receivables and prepayments	74,358	191,070
- inventories	14,411	(19,177)
- payables and accrued expenses	84,808	6,409
- Staff retirement gratuity	6,648	1,971
Net cash generated from operations	346,373	377,982
(ii)Analysis of changes in loan to parent company		
At start of year	714,290	550,140
Loan advanced	-	697,755
Loan repaid	(724,876)	(569,153)
Interest receivable	17,537	23,709
Interest received	(26,716)	(19,599)
Exchange adjustment	19,765	31,438
At end of year	-	714,290

Notes to the consolidated financial statements *(continued)*

30. (b) Notes to the company statement of cash flows *(continued)*

(iii) Analysis of changes in lease liability

	Company	
	2021	**2021**
	Shs'000	**Shs'000**
At start of year	4,141	8,014
Present value of future lease payments recognised	17,865	-
Payments during the year	(3,628)	(3,016)
Interest charge	507	479
Interest paid	(507)	(479)
Rent concession as inducement to execute new lease	(455)	(938)
Modification of scope of lease	-	(121)
Exchange adjustment	94	202
At end of year	18,017	4,141

Notes to the consolidated financial statements *(continued)*

31. Related party transactions

The parent company is REA Trading Limited which owns 96% of the company's shares.

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

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

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

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

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

(i) Sales of goods and services

	Group	
	2021	**2020**
	Shs'000	**Shs'000**
Wigglesworth & Company Limited – UK		
Sale of sisal fibre and yarns	2,978,686	2,845,220
Afchem Limited – Management services	240	240
REA Trading Limited - Interest receivable	17,537	23,709
	2,996,463	2,869,169

	Company	
	Shs'000	**Shs'000**
	2021	**2020**
Wigglesworth & Co Limited – sisal fibre	726,610	664,103
Management services		
Amboni Plantations Limited	37,790	35,745
Amboni Spinning Mill Limited	8,195	7,617
Dwa Estate Limited	47,216	40,414
Wigglesworth Exporters Limited	525	525
Afchem Limited	240	240
	93,966	84,541
Interest Receivable		
REA Trading Limited	17,537	23,709

Notes to the consolidated financial statements *(continued)*

31. Related party transactions *(continued)*

(ii) Purchase of management and other services

	Group	
	2021	**2020**
	Shs'000	**Shs'000**
REA Trading Limited	4,345	4,059
Chequered Flag Limited	201	560
	4,546	4,619

	Company	
	2021	**2020**
	Shs'000	**Shs'000**
REA Trading Limited (consultation services)	4,345	4,059
Wigglesworth Exporters Limited (management services)	8,050	7,333
Dwa Estate Limited (sisal fibre)	56,645	8,943
Amboni Spinning Mill Limited - (sisal ropes)	8,655	5,885
Chequered Flag Limited	201	392
	77,896	26,612

	Group and Company	
	2021	**2020**
	Shs'000	**Shs'000**
(iii) Payments on behalf of REA Trading Limited	5	972

(iv) Key management compensation

	Group	
	2021	**2020**
	Shs'000	**Shs'000**
Remuneration paid to directors and key management staff was as follows:		
Salaries and other short term benefits	119,017	131,748
Post employment benefits	582	580
Directors fees	6,436	5,332
	126,035	137,660

Notes to the consolidated financial statements *(continued)*

31. Related party transactions *(continued)*

	Company	
	2021	**2020**
	Shs'000	**Shs'000**
Salaries and other short term benefits	89,550	86,025
Post-employment benefits	580	580
	90,130	**86,605**

	Group	
	2021	**2020**
	Shs'000	**Shs'000**
(v) Outstanding balances		
Current receivables (Note 20)		
Wigglesworth & Company Limited – UK	321,834	255,495
Afchem Limited	-	391
REA Trading Limited - Loan	-	714,290
REA Trading Limited - other	5	972
	321,839	971,148
Current payables (Note 26)		
Wigglesworth & Company Limited - UK	10,837	8,488
REA Trading Limited	-	7,510
Chequered Flag Limited	-	173
Afchem Limited	25	-
	10,862	16,171

Notes to the consolidated financial statements *(continued)*

31. Related party transactions *(continued)*

(vi) Outstanding balances

	Company	
	2021	**2020**
	Shs'000	**Shs'000**
Current receivables (Note 20)		
Amounts due from group companies		
Amboni Plantations Limited	21,384	24,200
Wigglesworth Exporters Limited	7,877	11,709
Dwa Estate Limited	444,112	580,543
Amboni Spinning Mill Limited	6,149	494
	479,522	616,946
Amount due from related parties		
Wigglesworth & Company Limited – UK	109,652	30,612
Afchem Limited	-	391
REA Trading Limited - Loan	-	714,290
REA Trading Limited - Other	5	972
	109,657	746,265

	Company	
	2021	**2020**
	Shs'000	**Shs'000**
Amount due to related parties		
Wigglesworth & Company Limited – UK	1,978	765
Chequered Flag Limited	-	19
REA Trading Limited	-	7,510
Afchem Limited	25	-
	2,003	8,294

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.