REA VIPINGO PLANTATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

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Company Information

Directors The directors of the company are as follows:

Oliver Fowler — *Chairman*, non-executive, aged 58, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 30 years. He was raised on a tea plantation in Limuru, of which he was a director until 2009.

Neil Cuthbert — *Managing*, aged 55, has been managing director since 2000 having previously been group general manager. He has had overall responsibility for the Kenya estates since the formation of the company and has worked for the REA group in Kenya since 1979.

Richard Robinow — Non-executive, aged 65, has been a director of R.E.A. Holdings plc since 1978 and chairman since 1984. After an initial career in investment banking, he has been involved in the plantation business since 1974. He is a non-executive director of Sipef SA and M P Evans Group plc. R.E.A. Holdings plc, M P Evans Group plc and Sipef SA are European public companies which own and operate plantations in various parts of the world.

Stephen Waruhiu — Independent non-executive, aged 56, is a licensed valuer and estate agent. He is the managing director of Lloyd Masika Limited and has been practising as a valuer and estate agent in Kenya and also in Tanzania and Uganda for 30 years.

Brown Ondego — Independent non-executive, aged 59, has extensive experience in the shipping industry. Whilst serving as managing director of Mackenzie Maritime Limited he was recruited to serve as managing director of Kenya Ports Authority, a position he held until 2005. He is currently executive chairman of Rift Valley Railways Limited and a non-executive director of Barclays Bank of Kenya Limited.

Secretary and registered office

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

Registrars and transfer office

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

Independent auditor

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

Principal Bankers

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

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

Advocates

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

Notice of meeting

Notice is hereby given that the sixteenth annual general meeting of the company will be held at Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Friday 25 March 2011, at 10.00 a.m. for the following purposes:

1. Introduction

As ordinary business:

2. To receive and consider the company's annual report and financial statements for the year ended 30 September 2010.

3. To approve the payment of a first and final dividend for the year ended 30 September 2010 of Sh 0.80 per share payable on or about 14 June 2011 to shareholders registered at the close of business on 25 March 2011.

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

5. To approve the directors' remuneration for the year ending 30 September 2011.

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

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

As special business:

To consider and, if thought fit, to pass the following resolutions as special resolutions of the Company:

(a) THAT the Articles of Association of the Company be altered by deleting the existing Article 117 and replacing it with a new Article 117 as follows:

"117. Any dividend, interest or other sum payable in cash to the holder of shares may be paid by electronic funds transfer or other automated system of bank, electronic or mobile money transfer transmitted to the bank or electronic or mobile account number of the holder of shares recorded in the Register of Members or by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first on the Register of Members in respect of the shares. Every such funds transfer, cheque or warrant shall, unless the holder otherwise directs, be made payable to the order of the registered holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register of Members in respect of such shares and shall be sent at his or their risk. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable in respect of the shares held by such joint holders."

Notice of meeting (continued)

Special Business (continued)

(b) THAT the Articles of Association of the Company be altered by deleting the existing Articles 127 to 129 inclusive and replacing them with new Articles 127 to 129 as follows:

"127. Any notice or other document may be served by the Company on any Member or Director either personally or by sending it through the post (by airmail where such service is available) in a prepaid letter or by fax, e-mail or other electronic means addressed to such Member or Director at his registered address as appearing in the Register of Members or the Company's other records, whether such address shall be within or outside Kenya. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members and notice so given shall be sufficient notice to all the joint holders.

128. Where a notice or other document is sent by post it shall be deemed to have been served on the third day after the day on which it was posted, if addressed within Kenya, and on the seventh day after the day on which it was posted if addressed outside Kenya. In proving such service or sending, it shall be sufficient to prove that the cover containing the notice or document was properly addressed and put into the post office as a prepaid letter or prepaid airmail letter. Where a notice is sent by fax, e-mail or other electronic means it shall be deemed to have been served at the expiration of twenty-four hours after the time at which it was sent. The failure of any person to receive any notice served pursuant to these Articles shall not in any way invalidate any proceedings or actions taken by the Company for which the notice was given

129. A notice may be given by the Company to the person entitled to any share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid cover or by fax, e-mail or other electronic means addressed to him by name or by the title of representative or trustee of such deceased or bankrupt member or any like description at the address supplied for the purpose by the person claiming to be so entitled or by giving the notice in the manner in which the same would have been given if the death or bankruptcy had not occurred."

Notice of meeting (continued)

Special Business (continued)

(c) THAT the Articles of Association of the Company be altered by adding the following heading and new Article 130A immediately after the existing Article 130:

ELECTRONIC COMMUNICATION

"130A Notwithstanding anything in these Articles to the contrary, any notice, document or information to be given, sent, supplied, delivered or provided to any person (including any Member) by the Company, whether pursuant to these Articles, the Act or otherwise, is also to be treated as given, sent, supplied, delivered or provided where:

(a) it is sent in electronic form; or

(b) to the extent permitted by law, it is made available on a website **provided that**, in the case of any notice to Members or any documents to be sent to Members under the provisions of Article 125, the Company shall contemporaneously publish the notice or (as the case may be) an abridged set of the balance sheet and income statement in two daily newspapers with nationwide circulation drawing attention to the website on which the notice and the full text of any other documents may be read, and the address to which a request for a hard copy of such documents may be submitted. To the extent permitted by law, upon such publication in the daily newspapers, the documents in question shall be deemed to have been sent to every Member or other person entitled to receive a copy of the documents."

By order of the board

I R HODSON
Secretary
10 January 2011

Note:

Election of directors
Article 82E states as follows:

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

Corporate governance

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

The board is committed to applying relevant corporate governance principles throughout the group and, in particular, the guidelines on corporate governance best practices issued by the Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA), as well as adherence to internationally accepted best practice in corporate governance. The directors are committed to the maintenance of appropriate internal control systems to safeguard the assets of the group and ensure the reliability of financial information.

Board of Directors

The board is composed of five directors. Brief biographical notes are given on page 2 of this report. Four of the directors, including the chairman of the board, are non-executive directors. Directors are appointed on the basis that the board should provide a broad range of experience and expertise relevant to the requirements of the group.

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

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

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

Committees of the Board

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

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

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

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

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

Corporate governance (continued)

Communication with shareholders

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

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

Directors' emoluments and loans

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

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

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

Employment and environmental practices

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

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

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

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

The group is currently developing a method of recycling waste water from the sisal decorticators at Dwa Estate which, if successful, will be replicated on other estates. The efficient recovery of waste water will enable the group to use such water for irrigation or for recycling through the sisal factories.

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

Corporate governance (continued)

Corporate social responsibility

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

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

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

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

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

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

Corporate governance (continued)

Directors' interest

The interest of the directors in the shares of the company at 30 September 2010 were as follows:

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

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

Corporate governance (continued)

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

Name	No of Shares	Percentage
REA Holdings plc	21,880,745	36.47%
REA Trading Limited	12,346,109	20.57%
N.R. Cuthbert	1,375,292	2.29%
Barclays Kenya Nominees A/C 9854	1,285,900	2.14%
Stanbic Nominees Kenya Limited A/C 93201	1,000,000	1.67%
V.S. Morjaria	863,377	1.44%
Mamujee Brothers Foundation	687,907	1.15%
Aly-Khan Satchu	650,000	1.08%
Ederman Properties Limited	559,200	0.93%
Prime Securities Investments Trust	529,278	0.88%
	41,177,708	68.62%
6,281 other shareholders	18,822,292	31.38%
	60,000,000	100.00%

Distribution schedule

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
1-500	2,519	443,884	0.74%
501-5,000	3,270	5,048,991	8.41%
5,001-10,000	230	1,743,802	2.91%
10,001-100,000	232	5,687,662	9.48%
100,001-1,000,000	36	10,187,615	16.98%
Above 1,000,000	4	36,888,046	61.48%
	6,291	60,000,000	100.00%

Shareholder profile

Local individual shareholders	5,752	18,108,566	30.18%
Local institutional shareholders	472	6,613,231	11.02%
Foreign individual shareholders	62	536,763	0.90%
Foreign institutional shareholders	5	34,741,440	57.90%
	6,291	60,000,000	100.00%

Chairman's statement

The year to 30 September 2010 was a rather mixed one for the group. The first half of the year presented a number of challenges largely as a result of the very severe drought that affected most of East Africa in 2009. The drought had a major impact upon production volumes and quality at our Dwa estate where leaf harvesting was restricted during the first quarter. Moreover, the group's Tanzanian production was restricted for several months by the closure of the Kasanga factory at the Mwera estate as a result of the dam providing water to it running dry. The materially lower production during the early part of the year meant that the group recorded a small loss for the first half of the year and in May 2010 issued a Profit Warning.

Fortunately Dwa, our largest estate, received a good rainfall distribution during the November to April period and this, coupled with a cooler dry season in August and September, enabled the estate to produce to full capacity, and with a satisfactory grade mix, for the final nine months of the year.

Rainfall at Vipingo and on the Tanzanian estates was again below average for the year but distribution was such that leaf growth was reasonably satisfactory. A new borehole and pipeline serving the Kasanga factory were commissioned in May and the Mwera estate was able to produce more normally for the final 5 months of the year.

With better growing and production conditions, sisal fibre volumes were much stronger during the second half of the year and this, coupled with an improvement in the volume of high quality fibre produced, as well as higher sisal fibre prices, resulted in the group returning a profit before tax for the full year of shs 103.9 million. It should be noted that the profit before tax that is being reported includes a fair value gain on business combination amounting to shs 38.95 million and a fair value gain resulting from the application of International Accounting Standard (IAS) 41- Agriculture, of shs 2.8 million compared to a fair value gain of shs 89 million the previous year.

Despite the lower volumes during the first quarter, overall fibre volume was 16,920 tonnes for the year, some 5% higher than previous year, and turnover was shs 70 million higher at shs 1.44 billion.

In September 2010, the group successfully completed the acquisition of Kigombe sisal estate in Tanzania. The Kigombe estate is some 3,966 hectares in size and has reasonable, if somewhat run down, infrastructure. No replantings had been undertaken for several years and there were no nurseries in place at the time of acquisition. It will, therefore, be some years before the estate can be brought up to its full potential. Kigombe is conveniently situated just to the north of the Pangani river and approximately mid way between the Mwera estate, the operational headquarters of the Tanzanian group, and Tanga, where our administrative head office is located and from where our fibre is exported.

The Tanga spinning mill was very busy throughout the year with good sales volumes into both the local and export markets. Overall production of spun product and ropes was 2,710 tonnes, a welcome improvement on the previous year, which had been rather challenging.

Group operating costs have risen in recent months as a result of new wage agreements in both Kenya and Tanzania and increases in fuel prices. Whilst electricity costs in Kenya have declined somewhat from their peak during the drought of 2009, a major increase is expected in Tanzania where power rationing is again anticipated.

The sisal fibre market has returned, more or less, to pre-recession levels and the group is well sold at satisfactory prices. The spinning mill is less well sold and is likely to produce a lower volume this year. Spun product margins, which are already quite tight, are likely to come under further pressure.

The vegetable project at Dwa has developed well during the past year with the installation in February of a 30 hectare centre pivot. Further investment is being made during the current year in waste water recovery at Dwa in order that larger areas can be planted with export vegetables. Other opportunities for expansion in the horticulture field are being actively pursued.

Chairman's statement (continued)

Provided the April rains are satisfactory at all locations, your board is expecting to see some growth this year in fibre volumes. This should, if the sisal fibre market holds at current levels or better, more than counter-balance expected lower margins from the spinning mill and generally higher operating costs. As a result the board recommends a first and final dividend be paid amounting to shs 0.80 per share.

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

OLIVER FOWLER
CHAIRMAN
10 January 2011

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2010 and crops are stated for the whole year ended on that date and referred to as the 2010 crop year.

Dwa

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

	Hectares
Mature sisal	3,263
Older sisal	383
Immature sisal	1,183
Nurseries	77
Other areas	4,084
	8,990

The production of sisal fibre at Dwa was restricted during the first two months of the financial year as a result of the severe drought that affected most of central and eastern Kenya. However, the estate had a very good rainfall distribution between November and April and, in addition, the middle part of the year was cooler than normal resulting in the estate producing good volumes of high quality fibre. Total fibre baled during the year was 6,692 tonnes (2009 – 6,350 tonnes), the highest ever attained at any group estate.

The estate has started the new financial period with a good leaf position and the November rains were satisfactory. Providing reasonable rain is received in April, the estate should increase its fibre output further.

The steady increase in fibre volumes from Dwa is the result of major investments made in recent years in expanded planted areas, field equipment and factory capacity. Further investment is currently being made in factory capacity in order that the estate can, in the very near future, produce at a level exceeding, 7,000 tonnes per annum.

The annual sisal replanting at Dwa is carried out, in the main, prior to the November rains, historically the more reliable in the area, and some 416 hectares was planted in 2010.

Horticulture

The horticulture project which was started in a very small way at Dwa during the previous financial period was developed further in 2010 with the installation in February of a 30 hectares pivot irrigation system. Baby corn for export has proved to grow well at Dwa and some 944 tonnes gross were sold during the year together with smaller quantities of chilli and beans.

A decision has been reached to expand horticulture activities and during the current year further investment is being made to increase water resources at Dwa so that larger areas can be planted with export vegetables. Other opportunities for horticulture development are also being actively pursued in order that in future this will be a more important part of the group's activities.

Review of operations (continued)

Vipingo

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

	Hectares
Mature sisal	1,733
Older sisal	688
Immature sisal	979
Nurseries	91
Other areas	788
	4,279

Total rainfall recorded at Vipingo was again below average but, fortunately, distribution was fair and overall fibre production was close to expectations at 4,650 tonnes (2009 – 4,486 tonnes).

The Vipingo estate is expected, given a reasonable rainfall distribution, to increase volumes further during the current financial year.

The areas set aside for annual replanting at Vipingo have been increased in recent years, and will continue at over 300 hectares per annum on average in order to bring the output from the estate to over 5,000 tonnes per annum on a consistent basis.

Planting at Vipingo is carried out, in the main, prior to the April rains and some 323 hectares were planted in the year under review.

Review of operations (continued)

Amboni Plantations Limited

Historically the group's Tanzanian estates have comprised two properties, the Mwera and Sakura estates, situated adjacent to each other just to the south of Pangani river on the coast some 60 kms south of Tanga. In September 2010, just before the financial year end, the Kigombe sisal estate was acquired by Amboni Plantations Limited.

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

Kigombe is some 3,966 hectares in size and has reasonable, if somewhat run down, infrastructure. No replanting had been undertaken for several years and there were no nurseries in place at the time of acquisition. It will therefore be some years before the estate can be brought up to its full potential. In the short term it is expected that the estate will produce in the region of 1,000 to 1,500 tonnes of fibre per annum, rising to around 3,000 tonnes when more fully developed.

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

	Hectares
Mature sisal	3,664
Older sisal	1,193
Immature sisal	1,085
Nurseries	84
Other areas	8,810
	14,836

Rainfall on the Tanzanian estates was, for the third successive year, below average and the dam which provides water to one of the Mwera decortication facilities has been dry since mid 2009. Unfortunately underground water is not available in the vicinity of the affected factory and so a borehole and pipeline from the other factory site had to be built during the year. This was successfully commissioned in May and, although the dam remains dry, we now have the ability to operate to full capacity again at Mwera and, as a result, expect better volumes from this estate during the current year.

Despite the water problems at Mwera, and periodic labour shortages at both estates, fibre production in Tanzania increased to 5,578 tonnes (2009-5,265 tonnes).

Replanting on the Mwera and Sakura estates was a total of 326 hectares in 2009/2010.

Review of operations (continued)

Amboni Spinning Mill Limited

The Tanga spinning mill, situated on the outskirts of Tanga town had a busy year with a total production of 2,710 tonnes (2009 – 2,255 tonnes).

Sales into both the export and local/regional markets were, for most of the year, better than expected and better, in terms of volume, than have been experienced in recent years.

Although we were able to increase sales prices from the low “recession” affected prices of the previous year, margins were, at times, quite tight as sisal fibre prices, and the costs of other inputs, increased. However, the significantly higher volumes of most products being produced resulted in the mill producing a reasonable contribution for the year.

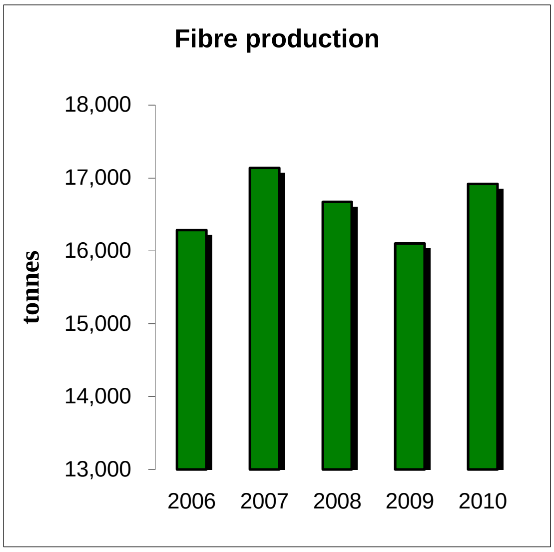
In recent months the price of sisal fibre has increased further with the result that margins are under further pressure. Sales volumes outside of the region have slowed to some extent and so the current financial year may prove to be more difficult for the mill.

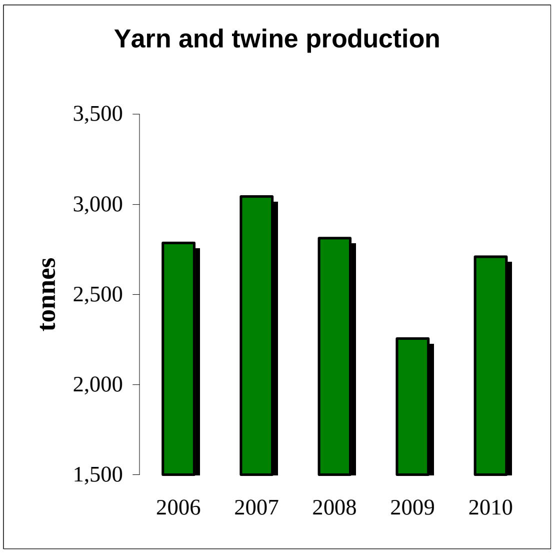
Marketing

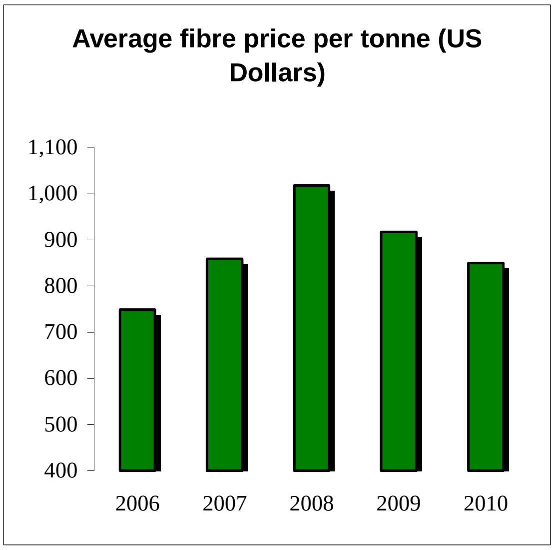
Exported sisal fibre and products from the group’s estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Company Limited, and this arrangement continued through the year to 30 September 2010. Wigglesworth & Company Limited, which is a leading international sisal merchant, continued to develop the existing traditional markets for the group products and to exploit further the developing niche markets for the quality fibre and yarns that the group is able to produce.

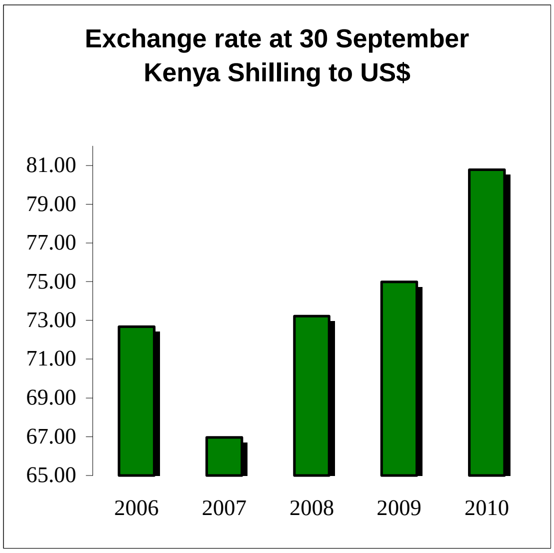
Review of operations (continued)

Group statistical information
Total sisal fibre production increased by 5% to 16,920 tonnes and spun product production also increased by 20% to 2,710 tonnes. The average price of sisal fibre declined by approximately $68 per tonne.









Report of the directors

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2010 which disclose the state of affairs of the group and the company.

Incorporation and registered office

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

Principal activities

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

Results and dividend

The group profit for the year of Shs 67,355,000 has been added to retained earnings.

The directors recommend the payment of a first and final dividend for the year ended 30 September 2010 of Shs 0.80 per share amounting to Shs 48,000,000 (2009: Shs 0.50 per share amounting to Shs 30,000,000).

Directors

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

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

Auditors

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

By order of the Board

I R HODSON
Secretary
10 January 2011

Statement of directors' responsibilities

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

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

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

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

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

10 January 2011

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

Report on the Financial Statements

We have audited the accompanying financial statements of REA Vipingo Plantations Limited and its subsidiaries set out on pages 22 to 82 which comprise the consolidated and company statements of financial position as at 30 September 2010, and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 30 September 2010 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Report on Other Legal Requirements

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

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

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

iii) the company's statement of financial position is in agreement with the books of account.

Deloitte & Touche
Certified Public Accountants (Kenya)

10 January 2011
Nairobi

Consolidated statement of comprehensive income

	Notes	2010 Shs'000	2009 Shs'000
Revenue	5	1,441,668	1,371,090
Gain arising from changes in fair value of biological assets	14	2,825	89,022
Cost of sales		(898,327)	(820,929)
Gross profit		546,166	639,183
Interest income		589	1,470
Other operating income		12,546	10,315
Foreign exchange gains – net		3,991	1,500
Distribution costs		(71,536)	(62,214)
Administrative expenses		(402,372)	(352,647)
Other operating expenses		(3,842)	(6,291)
Fair value gain on business combination	6	38,953	-
Legal expenses relating to business combination		(954)	-
Finance costs	9	(19,631)	(17,250)
Profit before tax	7	103,910	214,066
Tax charge	10	(36,555)	(65,117)
Profit for the year		67,355	148,949
Comprising:			
Profit arising from operating activities		30,037	86,634
Profit arising from changes in fair value of biological assets		1,977	62,315
Net fair value gain on business combination		35,341	-
		67,355	148,949
Other comprehensive loss for the year			
Foreign exchange adjustment on translation of foreign subsidiaries		(23,706)	(36,665)
Total comprehensive income for the year		43,649	112,284
Earnings per share - basic and diluted	11	Shs 1.12	Shs 2.48

Consolidated statement of financial position

As at 30 September 2010

	Notes	2010 Shs'000	2009 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	418,136	314,933
Biological assets	14	417,449	401,382
Prepaid operating lease rentals	15	215,469	139,382
Investment in unquoted shares	17	15,251	15,251
Deferred tax assets	23	54,220	40,612
		1,120,525	911,560
Current assets			
Inventories	18	322,998	280,448
Receivables and prepayments	19	225,013	172,205
Tax recoverable	10(b)	22,380	18,803
Bank balances and cash	20	16,100	31,068
		586,491	502,524
Total assets		1,707,016	1,414,084
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	300,000	300,000
Share premium		84,496	84,496
Translation deficit		(114,520)	(90,814)
Retained earnings		719,123	681,768
Shareholders' funds		989,099	975,450
Non-current liabilities			
Borrowings	22	33,984	21,724
Deferred tax liabilities	23	141,030	126,780
Post employment benefit obligations	24	77,781	65,718
Other liabilities	26	28,273	-
		281,068	214,222
Current liabilities			
Payables and accrued expenses	25	145,600	112,639
Tax payable	10 (b)	-	1,749
Borrowings	22	262,976	110,024
Other liabilities	26	28,273	-
		436,849	224,412
Total equity and liabilities		1,707,016	1,414,084

The financial statements on pages 22 to 82 were approved for issue by the board of directors on 10 January 2011 and signed on its behalf by:

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

Company Statement of financial position

As at 30 September 2010

	Notes	2010 Shs'000	2009 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	74,337	123,741
Biological assets	14	41,502	49,446
Prepaid operating lease rentals	15	62,218	17,288
Investment in subsidiaries	16	571,458	575,415
Deferred tax asset	23	53,054	39,495
		802,569	805,385
Current assets			
Inventories	18	81,486	67,742
Receivables and prepayments	19	127,603	92,293
Tax recoverable	10 (b)	2,124	1,359
Bank balances and cash	20	9,599	6,470
		220,812	167,864
Total assets		1,023,381	973,249
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	300,000	300,000
Share premium		84,496	84,496
Retained earnings		54,933	35,513
Shareholders' funds		439,429	420,009
Non-current liabilities			
Borrowings	22	17,720	11,396
Post employment benefit obligations	24	39,391	35,717
		57,111	47,113
Current liabilities			
Payables and accrued expenses	25	448,171	445,601
Borrowings	22	78,670	60,526
		526,841	506,127
Total equity and liabilities		1,023,381	973,249

The financial statements on pages 22 to 82 were approved for issue by the board of directors on 10 January 2011 and signed on its behalf by:

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

Consolidated statement of changes in equity

				Retained earnings			
	Share capital Shs'000	**Share premium Shs'000**	**Translation deficit Shs'000**	**Biological assets fair value Shs'000**	**Other Shs'000**	**Total Shs'000**	**Total Shs'000**
Year ended 30 September 2009							
At start of year	300,000	84,496	(54,149)	88,775	456,044	544,819	875,166
Other comprehensive loss for the year	-	-	(36,665)	-	-	-	(36,665)
Total comprehensive income for the year	-	-	-	62,315	86,634	148,949	148,949
Dividend paid for 2008	-	-	-	-	(12,000)	(12,000)	(12,000)
At end of year	300,000	84,496	(90,814)	151,090	530,678	681,768	975,450
Year ended 30 September 2010							
At start of year	300,000	84,496	(90,814)	151,090	530,678	681,768	975,450
Other comprehensive loss for the year	-	-	(23,706)	-	-	-	(23,706)
Total comprehensive income for the year	-	-	-	1,977	65,378	67,355	67,355
Dividend paid for 2009	-	-	-	-	(30,000)	(30,000)	(30,000)
At end of year	300,000	84,496	(114,520)	153,067	566,056	719,123	989,099

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

Company statement of changes in equity

			Retained earnings			
	Share capital Shs'000	**Share premium Shs'000**	**Biological assets fair value Shs'000**	**Other Shs'000**	**Total Shs'000**	**Total Shs'000**
Year ended 30 September 2009						
At start of year	300,000	84,496	(14,907)	30,188	15,281	399,777
Total comprehensive income for the year	-	-	2,382	29,850	32,232	32,232
Dividend paid – 2008	-	-	-	(12,000)	(12,000)	(12,000)
At end of year	300,000	84,496	(12,525)	48,038	35,513	420,009
Year ended 30 September 2010						
At start of year	300,000	84,496	(12,525)	48,038	35,513	420,009
Total comprehensive income for the year	-	-	(5,562)	54,982	49,420	49,420
Dividend paid – 2009	-	-	-	(30,000)	(30,000)	(30,000)
At end of year	300,000	84,496	(18,087)	73,020	54,933	439,429

Consolidated statement of cash flows

	Notes	2010 Shs'000	2009 Shs'000
Cash flows from operating activities			
Cash generated from operations	29	108,068	316,556
Interest received		589	1,470
Interest paid	9	(19,631)	(17,250)
Tax paid	10(b)	(37,455)	(86,251)
Net cash generated from operating activities		51,571	214,525
Cash flows from investing activities			
Purchase of property, plant and equipment		(157,229)	(50,707)
Proceeds from disposal of property, plant and Equipment		3,669	4,519
Purchase of biological assets	14	(25,065)	-
Prepaid operating leases acquired	15	(27,916)	-
Net cash used in investing activities		(206,541)	(46,188)
Cash flows from financing activities			
Proceeds from long-term borrowings		61,027	17,022
Proceeds from short-term borrowings		66,744	-
Repayment of long-term borrowings		(34,055)	(28,960)
Repayment of short-term borrowings		-	(197,694)
Dividend paid		(30,000)	(12,000)
Net cash generated from/(used in) financing activities		63,716	(221,632)
Decrease in cash and cash equivalents		(91,254)	(53,295)
Cash and cash equivalents at start of year		(54,291)	(5,378)
Effects of exchange rate changes		815	4,382
Cash and cash equivalents at end of year	20	(144,730)	(54,291)

Notes to the consolidated financial statements

1 General information

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

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

The company is engaged in the cultivation of sisal and the production of sisal fibre and also acts as a holding company. The principal activities of the subsidiary companies (the group) are described in note 16.

2 Accounting policies

Statement of compliance

The financial statements are 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 comprehensive income.

Basis of preparation

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

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

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

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards and Interpretations

(i) New and amended standards adopted by the group

IAS 1 (revised) – Presentation of financial statements, effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it is in conformity with the revised standard. This change in accounting policy affects the basis for the calculation of earnings per share

The revised standard also requires the use of the terms “statement of financial position” and “statement of cash flows” in place of the terms “balance sheet” and “cash flow statement” which were used previously.

IFRS 3 (revised) – Business Combinations, effective from 1 July 2009. The revised standard requires that all payments to purchase a business should be recorded at fair value. It also requires that all transaction costs relating to the acquisition be expensed in the current period and can no longer be included in the cost of acquisition. Transaction costs relating to the business combination entered into during the current period have been expensed.

IFRS 7 – Financial instruments – Disclosures (amendment), effective from 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurement by level of a fair value measurement hiarachy. The adoption of the amendment results in additional disclosures but has no impact on the measurement basis adopted by the group.

IFRS 8 – Operating segments, effective from 1 January 2009. This standard has replaced IAS 14 – Segment reporting. The new standard is based on the management approach and the group’s internal reporting of segment information to the group’s chief operating decision maker. The new standard will enable investors to assess the group’s business performance from the same perspective used by the management in making decisions about operating matters. The new standard did not require any change to the reporting segments.

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

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

(ii) New and amended standards not relevant to the group

The following new and amended standards became effective during the accounting period but had no impact on the group's financial statements.

IFRS 2 (amendment) – Share based payment, effective from 1 January 2009. It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IAS 23 (amendment) – Borrowing costs, effective from 1 January 2009. The amendment requires the capitalisation of borrowing costs directly attributable to the cost of acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

IAS 27 (revised) – Consolidated and separate financial statements, effective from 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured at fair value and the gain or loss is recognised in profit or loss.

(iii) Standards amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group.

One new standard, IFRS 9 – Financial instruments and one revised standard IAS 24 – Related party disclosures and numerous amendments to existing standards and new interpretations have been published and will be effective for the group's accounting periods beginning on or after 1 October 2010 but the group has not early adopted any of them.

The directors have assessed the relevance of the new standards interpretations and amendments to existing standards with respect to the group's operations and have concluded that, with the exception of the amendment to IAS 17 – Leases, they will not have a significant impact on the group's financial statements. The amendment to IAS 17 – leases will make it possible to classify leases of land as finance leases and include land held under leasehold titles as property, plant and equipment. This amendment will be effective for accounting periods beginning on or after 1 October 2010 and will be applied retrospectively to relevant unexpired leases.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Consolidation

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

Acquisitions of subsidiaries by the group are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued by the group at the date of exchange. 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.

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

A list of subsidiary companies is shown in Note 16.

Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies during the year are translated into the functional currency at rates ruling at the transaction dates. 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.

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Operating segments

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

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

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

Revenue recognition

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

Sales of goods are recognised upon the delivery of products and acceptance by the customers.

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

Inventories

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

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

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

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

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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)

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.

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

Impairment

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

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

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

Accounting for leases

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

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

Leasehold land

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

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Taxation

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

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

Offsetting

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

Retirement benefit obligations

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

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

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

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

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

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)

Employee entitlements

Employee entitlements to retirement gratuities are recognised when they accrue to employees. A provision is made for the estimated liability for retirement gratuities as a result of services rendered by employees up to the 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 forseeable future, are regarded as part of the net investment in the subsidiaries. In accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates, the exchange differences arising on such loans are dealt with in the statement of changes in equity.

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Investments

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

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

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Borrowings

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

Share Capital

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

Notes to the consolidated financial statements (continued)

2 Accounting policies (continued)

Provisions

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

Dividends

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

Comparatives

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

(a) Critical judgements in applying accounting principles

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

(b) Key sources of estimation uncertainty

Impairment losses

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

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

Property, plant and equipment

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

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

Notes to the consolidated financial statements (continued)

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

Contingent liabilities

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

Biological assets

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

Retirement benefit obligations

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations in respect of the defined benefit retirement scheme. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note 24.

Deferred tax asset

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

Income taxes

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

Notes to the consolidated financial statements (continued)

4. Financial risk management

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

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

Categories of financial instruments	**Group**		**Company**	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	241,113	203,273	137,202	98,763
Financial liabilities				
Loans and payables	499,108	244,387	544,561	517,523

Market risk

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

Foreign exchange risk

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

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

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Foreign exchange risk (continued)

	Assets		Liabilities	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Group				
US Dollars	110,949	84,175	160,346	26,550
Sterling Pound		-	5,598	8,891
	110,949	84,175	165,944	35,441
Company				
US Dollars	32,763	15,973	33,888	23,981

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Foreign currency sensitivity analysis

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

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

	US Dollar Impact		**Pound Sterling Impact**	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Group				
Profit or loss	(2,470) (i)	2,881 (ii)	(280) (iii)	(445) (iii)
Company				
Profit or loss	(56) (i)	(400) (i)	-	-

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Interest rate risk

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

Interest rate sensitivity analysis

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

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

	Group		**Company**	
	2010 Shs'000	**2009 Shs'000**	**2010 Shs'000**	**2009 Shs'000**
	2,970	1,317	964	719

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Credit risk

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

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

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

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

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

Group

	Fully performing Shs'000	**Past due Shs'000**	**Impaired Shs'000**
2010			
Bank balances and cash	16,100	-	-
Trade receivables	8,086	3,222	-
Related party receivables	108,952	-	-
Others	104,753	-	-
Total	237,891	3,222	-
2009			
Bank balances and cash	31,068	-	-
Trade receivables	6,414	927	-
Related party receivables	81,114	-	-
Others	83,750	-	-
Total	202,346	927	-

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Credit risk (continued)

Company

	Fully performing	Past due	Impaired
2010			
Bank balances and cash	9,599	-	-
Trade receivables	465	47	-
Related party and group receivables	106,421	-	-
Others	20,670	-	-
Total	137,155	47	-
2009			
Bank balances and cash	6,470	-	-
Trade receivables	3,530	120	-
Related party and group receivables	66,168	-	-
Others	22,475	-	-
Total	98,643	120	-

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Credit risk (continued)

Bank balances and cash are fully performing.

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

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

No amounts are considered to be impaired.

Liquidity risk

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

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

	Less than 1 year Shs'000	**Between 1 and 2 years Shs'000**	**Between 2 and 5 years Shs'000**	**Over 5 years Shs'000**
Group				
At 30 September 2010				-
Borrowings	262,976	22,992	10,992	-
Payables and accrued expenses	173,873	28,273	-	
Total financial liabilities	436,849	51,265	10,992	-
At 30 September 2009				
Borrowings	110,024	18,350	3,374	-
Payables and accrued expenses	112,639	-	-	-
Total financial liabilities	222,663	18,350	3,374	-

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Company				
At 30 September 2010				
Borrowings	78,670	12,466	5,254	-
Payables and accrued expenses	448,171	-	-	-
Total financial liabilities	526,841	12,466	5,254	-
At 30 September 2009				
Borrowings	60,526	8,022	3,374	-
Payables and accrued expenses	445,601	-	-	-
Total financial liabilities	506,127	8,022	3,374	-

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	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Amounts utilised	232,337	137,748	96,390	71,922
Amounts unutilised	85,551	156,583	24,000	45,573
Total available facilities	317,888	294,331	120,390	117,495

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	
2010	**2009**	**2010**	**2009**
Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
1,244,888	1,380,196	1,023,383	973,249

Defined benefit retirement scheme obligations

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

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

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

Notes to the consolidated financial statements (continued)

4 Financial risk management (continued)

Capital risk management

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

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

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

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Total borrowings	296,960	131,748	96,390	71,922
Bank balances and cash	(16,100)	(31,068)	(9,599)	(6,470)
Net borrowings	280,860	100,680	86,791	65,452
Total equity	989,099	975,450	439,429	420,009
Net borrowings to equity ratio	28%	10%	20%	16%

Notes to the consolidated financial statements (continued)

5 Operating segments

(a) Business segments

The group is organised into two principal business segments:

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

	Agriculture Shs'000	Spinning Shs'000	Total Shs'000
Year ended 30 September 2010			
Total sales	1,192,649	344,163	1,536,812
Inter-segment sales	(86,260)	(8,884)	(95,144)
Sales revenue	1,106,389	335,279	1,441,668
Profit from operations	64,503	19,496	83,999
Interest income	576	13	589
Interest expense	(19,047)	(584)	(19,631)
Fair value gain on business combination	38,953	-	38,953
Profit before tax	84,985	18,925	103,910
Tax	(30,594)	(5,961)	(36,555)
Profit for the year	54,391	12,964	67,355
Segment assets	1,584,605	122,411	1,707,016
Segment liabilities	690,961	26,956	717,917
Capital additions	208,357	5,418	213,775
Purchase of biological assets	25,065	-	25,065
Prepaid operating leases acquired	27,916	-	27,916
Depreciation	46,844	4,449	51,293
Amortisation of leasehold land	420	-	420

Notes to the consolidated financial statements (continued)

5 Operating segments (continued)

	Agriculture Shs'000	Spinning Shs'000	Total Shs'000
Year ended 30 September 2009			
Total sales	1,145,842	288,551	1,434,393
Inter-segment sales	(55,700)	(7,603)	(63,303)
Sales revenue	1,090,142	280,948	1,371,090
Profit from operations	202,910	26,936	229,846
Interest income	1,461	9	1,470
Interest expense	(16,452)	(798)	(17,250)
Profit before tax	187,919	26,147	214,066
Tax	(56,813)	(8,304)	(65,117)
Profit for the year	131,106	17,843	148,949
Segement assets	1,288,151	125,933	1,414,084
Segment liabilities	421,651	16,983	438,634
Capital additions	50,387	320	50,707
Depreciation	44,869	5,108	49,977
Amortisation of leasehold land	282	-	282

Notes to the consolidated financial statements (continued)

5 Operating segments (continued)

(b) Geographical segments

The group operations consist of two main geographical segments:

- Kenya
- Tanzania

Year ended 30 September 2010

	Kenya Shs'000	**Tanzania Shs'000**	**Total Shs'000**
Total sales	889,679	647,134	1,536,812
Inter-segment sales	(22,813)	(72,331)	(95,144)
Sales revenue	866,866	574,803	1,441,668
Profit from operations	34,104	49,895	83,999
Interest income	43	546	589
Interest expense	(18,691)	(940)	(19,631)
Fair value gain on business combination	-	38,953	38,953
Profit before tax	15,456	88,454	103,910
Tax	(9,832)	(26,723)	(36,555)
Profit for the year	5,624	61,731	67,355
Segment assets	985,232	721,784	1,707,016
Segment liabilities	436,479	281,438	717,917
Capital additions	47,936	165,839	213,775
Purchase of biological assets	-	25,065	25,065
Prepaid operating leases acquired	-	27,916	27,916
Depreciation	31,938	19,355	51,293
Amortisation of leasehold land	413	7	420

Notes to the consolidated financial statements (continued)

5 Operating segments (continued)

	Kenya Shs'000	**Tanzania Shs'000**	**Total Shs'000**
Year ended 30 September 2009			
Total sales	811,840	622,553	1,434,393
Inter-segment sales	(9,179)	(54,124)	(63,303)
Sales revenue	802,661	568,429	1,371,090
Profit from operations	62,380	167,466	229,846
Interest income	25	1,445	1,470
Interest expense	(16,332)	(918)	(17,250)
Profit before tax	46,073	167,993	214,066
Tax	(13,516)	(51,601)	(65,117)
Profit for the year	32,557	116,392	148,949
Segment assets	875,163	538,921	1,414,084
Segment liabilities	331,867	106,767	438,634
Capital additions	41,119	9,588	50,707
Depreciation	29,699	20,278	49,977
Amortisation of leasehold land	274	8	282

Notes to the consolidated financial statements (continued)

6 Business Combination

On 1 September 2010, the group acquired the land, biological assets and plant and machinery of Kigombe Estate relating to the cultivation of sisal from an unrelated company, Amboni Sisal Properties Limited.

The assets acquired at fair value were as follows:

	Shs'000
Biological assets	25,065
Property, plant and equipment	129,822
Prepaid operating lease rentals	27,916
Total fair value of assets acquired	182,803
Purchase consideration	143,850
Fair value gain on acquisition	38,953
Deferred tax on fair value gain	(3,612)
Net fair value gain	35,341

The assets of Kigombe Estate which were acquired by the group were valued by an independent professional valuer, Ryden International. The valuation was made on the basis of open market value for current use.

Notes to the consolidated financial statements (continued)

7 Profit before tax

		Group 2010 Shs'000	Group 2009 Shs'000
The profit before tax is arrived at after charging /(crediting):			
Depreciation on property, plant and equipment (Note 13)		51,293	49,977
Amortisation of leasehold land (Note 15)		420	282
Operating lease payments		5,634	4,565
Staff costs (Note 8)		478,503	413,934
Auditors' remuneration	- group	6,443	5,686
	- company	1,900	1,800
Directors' emoluments	- fees	1,224	1,116
	- for management services	43,503	42,145
	Total of directors' emoluments	44,727	43,267
Company:	- fees	1,224	1,116
	- for management services	20,598	17,786
	Total	21,822	18,902
Profit on disposal of property, plant and equipment		(2,975)	(4,136)

Profit for the year – company
The company profit for the year of Shs 49,420,000 (2009: Shs 32,232,000) has been dealt with in the financial statements of REA Vipingo Plantations Limited.

8 Staff costs

	2010	2009
Salaries and wages	408,718	358,339
Social security costs	18,694	17,607
Pension contributions –defined benefit scheme	5,102	5,521
Pension contributions – defined contribution scheme	659	492
Gratuity and other terminal benefits	21,687	11,412
Medical	23,643	20,563
	478,503	413,934

Notes to the consolidated financial statements (continued)

9 Finance costs

	Group	
	2010	**2009**
	Shs'000	**Shs'000**
Interest expense	19,631	17,250

10 Tax

(a) Tax charge

Current tax	31,583	57,657
Deferred tax charge (Note 23)	4,972	7,460
	36,555	65,117

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

	Group	
	2010	**2009**
	Shs'000	**Shs'000**
Profit before tax	103,910	214,066
Tax calculated at a tax rate of 30%	31,174	64,221
Tax effect of:		
Income not subject to tax	(891)	(1,570)
Expenses not deductible for tax purposes	5,725	4,322
Underprovision/(overprovision) of deferred tax in prior year	(236)	841
Underprovision of current tax in prior year	321	409
Deferred tax asset not recognised	462	(3,106)
Tax charge	36,555	65,117

Notes to the consolidated financial statements (continued)

10 Tax (continued)

(b)Tax movement

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At beginning of year	(17,054)	11,518	(1,359)	(1,331)
Current year charge	31,583	57,657	-	-
Tax paid	(37,455)	(86,251)	(765)	(28)
Translation adjustment	546	22		-
At end of year	(22,380)	(17,054)	(2,124)	(1,359)
Balances at year end				
Tax recoverable	(22,380)	(18,803)	(2,124)	(1,359)
Tax payable	-	1,749	-	-
	(22,380)	(17,054)	(2,124)	(1,359)

Notes to the consolidated financial statements (continued)

11 Earnings per share

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

	Group	
	2010	**2009**
Profit for the year (Shs ’000)	67,355	148,949
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	1.12	2.48

There were no potentially dilutive ordinary shares outstanding at 30 September 2010 and at 30 September 2009. Diluted earnings per share is therefore the same as basic earnings per share.

12 Dividends

At the annual general meeting to be held on 25 March 2011, a first and final dividend in respect of the year ended 30 September 2010 of Shs 0.80 (2009: Shs 0.50) per share amounting to a total of Shs 48,000,000 (2009: Shs 30,000,000) is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for East African residents and 10% for other overseas shareholders.

Notes to the consolidated financial statements (continued)

13 Property, plant and equipment

Group

	Freehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
Cost					
At 1 October 2008	49,500	111,895	526,479	4,546	692,420
Additions	-	-	33,260	17,447	50,707
Transfers	-	1,946	18,782	(20,728)	-
Disposals	-	-	(12715)	-	(12,715)
Translation adjustment	-	(1,483)	(18,267)	(693)	(20,443)
At 30 September 2009	49,500	112,358	547,539	572	709,969
At 1 October 2009	49,500	112,358	547,539	572	709,969
Additions	-	54,286	149,596	9,893	213,775
Transfers	-	140	2,072	(2,212)	-
Disposals	-	-	(12,076)	-	(12,076)
Reclassification (Note 15)	(49,500)	-	-	-	(49,500)
Translation adjustment	-	(2,456)	(13,744)	(97)	(16,297)
At 30 September 2010	-	164,328	673,387	8,156	845,871
Depreciation					
At 1 October 2008	-	14,655	353,805	-	368,460
Charge for the year	-	2,223	47,754	-	49,977
Eliminated on disposals	-	-	(12,332)	-	(12,332)
Translation adjustment	-	(150)	(10,919)	-	(11,069)
At 30 September 2009	-	16,728	378,308	-	395,036
At 1 October 2009	-	16,728	378,308	-	395,036
Charge for the year	-	2,338	48,955	-	51,293
Eliminated on disposals	-	-	(11,382)	-	(11,382)
Translation adjustment	-	(103)	(7,109)	-	(7,212)
At 30 September 2010	-	18,963	408,772	-	427,735
Net book amount					
At 30 September 2010	-	145,365	264,615	8,156	418,136
At 30 September 2009	49,500	95,630	169,231	572	314,933

Notes to the consolidated financial statements (continued)

13 Property, plant and equipment (continued)

Included in property, plant and equipment are assets with an original cost of Shs 253,255,990 (2009: Shs 205,320,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 41,345,041(2009: Shs 37,403,000).

Based on an impairment review performed by the directors at 30 September 2010, no indications of impairment of property, plant and equipment were identified. (2009: none).

Notes to the consolidated financial statements (continued)

13 Property, plant and equipment (continued)

Company

	Freehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
Cost					
At 1 October 2008	45,000	38,759	157,064	767	241,590
Additions	-	-	11,641	228	11,869
Transfers	-	-	910	(910)	-
Disposals	-	-	(9,399)	-	(9,399)
At 30 September 2009	45,000	38,759	160,216	85	244,060
At 1 October 2009	45,000	38,759	160,216	85	244,060
Transfers	-	140	-	(140)	-
Additions	-	387	12,486	267	13,140
Disposals	-	-	(12,896)	-	(12,896)
Reclassification (Note 15)	(45,000)	-	-	-	(45,000)
At 30 September 2010	-	39,286	159,806	212	199,304
Depreciation					
At 1 October 2008	-	6,431	105,079	-	111,510
Charge for the year	-	775	14,993	-	15,768
Eliminated on disposals	-	-	(6,959)	-	(6,959)
At 30 September 2009	-	7,206	113,113	-	120,319
At 1 October 2009	-	7,206	113,113	-	120,319
Charge for the year	-	775	14,039	-	14,814
Eliminated on disposals	-	-	(10,166)	-	(10,166)
At 30 September 2010	-	7,981	116,986	-	124,967
Net book amount					
At 30 September 2010	-	31,305	42,820	212	74,337
At 30 September 2009	45,000	31,553	47,103	85	123,741

Notes to the consolidated financial statements (continued)

13 Property, plant and equipment (continued)

Included in property, plant and equipment are assets with an original cost of Shs 70,233,132 (2009:Shs 62,572,544) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 13,062,057 (2009:Shs 11,663,984).

Based on an impairment review performed by the directors at 30 September 2010, no indications of impairment of property, plant and equipment were identified. (2009:none).

Notes to the consolidated financial statements (continued)

14 **Biological assets**

Group	**Sisal plants and nurseries Shs'000**	**Horticultural Crops Shs'000**	**Total Shs'000**
At 1 October 2008			
Mature crops	201,203	-	201,203
Immature crops	126,533	-	126,533
	327,736	-	327,736
Gain arising from changes in fair value attributable to physical changes	2,243	-	2,243
Gain arising from changes in fair value attributable to price changes	60,643	-	60,643
Gain arising from changes in fair value attributable to changes in exchange rate	26,136	-	26,136
Net fair value gain	89,022	-	89,022
Translation adjustment	(15,376)	-	(15,376)
	401,382		401,382
At 30 September 2009			
Mature crops	294,441	-	294,441
Immature crops	106,941	-	106,941
	401,382	-	401,382

Notes to the consolidated financial statements (continued)

14 Biological assets (continued)

Group	**Sisal plants and nurseries Shs'000**	**Horticultural crops Shs'000**	**Total Shs'000**
At 1 October 2009			
Mature crops	294,441	-	294,441
Immature crops	106,941	-	106,941
	401,382	-	401,382
Purchases	25,065	-	25,065
(Loss)/gain arising from changes in fair value attributable to physical changes	(75,334)	2,522	(72,812)
(Loss) arising from changes in fair value attributable to price changes	(9,622)	-	(9,622)
Gain arising from changes in fair value attributable to changes in exchange and discount rates	85,259	-	85,259
Net fair value gain	303	2,522	2,825
Translation adjustment	(11,823)	-	(11,823)
	414,927	2,522	417,449
At 30 September 2010			
Mature crops	317,642	1,651	319,293
immature crops	97,285	871	98,156
	414,927	2,522	417,449

Notes to the consolidated financial statements (continued)

14 **Biological assets (continued)**

Company
Sisal plants and nurseries

	2010 Shs'000	2009 Shs'000
At beginning of year		
Mature crops	13,147	7,671
Immature crops	36,299	38,372
	49,446	46,043
(Loss) arising from changes in fair value attributable to physical changes	(16,474)	(5,463)
Gain arising from changes in fair value attributable to price changes of sisal fibre	932	11,688
Gain/(loss) arising from changes in fair value attributable to changes in exchange and discount rates	7,598	(2,822)
Net fair value (loss) / gain	(7,944)	3,403
	41,502	49,446
At end of year		
Mature crops	10,366	13,147
Immature crops	31,136	36,299
	41,502	49,446

Notes to the consolidated financial statements (continued)

14 Biological assets (continued)

Short-term horticultural crops at the year end comprised of baby corn, fine beans and chillies. Baby corn and fine beans are harvested after a period of approximately 12 to 14 weeks. Chillies have three harvesting cycles of approximately 8 weeks each over the lifespan of the plant of approximately 48 weeks.

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

- Sisal plants will have an average productive life of 8 years.
- Future production and sales estimates are based on budgets approved by the directors and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- The expected market price of sisal fibre will remain constant based on the average price and exchange rates realised over a number of years.
- Current market prices are used to determine the fair value of short-term crop.
- A discount rate of between 14% per annum in Kenya (2009: 15%) and 15% per annum in Tanzania (2009: 20%) is applied to the anticipated net cash flows arising from the asset. The costs of production and selling costs used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors. Assumed annual rates of inflation of 5% and 7.5% for Kenya and Tanzania respectively have been incorporated for periods beyond the initial budget period of one year.
- Based on the biological transformation which sisal plants undergo, 42% of fair value is assigned to the regeneration of sisal leaf.
- Costs incurred on new plantations in the year approximate to their fair value.

Notes to the consolidated financial statements (continued)

15 Prepaid operating lease rentals

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Cost				
At beginning of year	141,224	141,270	17,558	17,558
Additions	27,916	-	-	-
Reclassification (Note 13)	49,500	-	45,000	-
Translation adjustment	(912)	(46)	-	-
At end of year	217,728	141,224	62,558	17,558
Amortisation				
At beginning of year	1,842	1,563	270	251
Charge for the year	420	282	70	19
Translation adjustment	(3)	(3)	-	-
	2,259	1,842	340	270
Carrying value at end of year	215,469	139,382	62,218	17,288

The group's land titles in Kenya, which were 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 of the land titles in Tanzania range from 40 years to 52 years.

16 Investment in subsidiaries

	Company	
	2010	**2009**
	Shs'000	**Shs'000**
Shares in subsidiaries at cost	504,074	504,074
Long term receivable from subsidiary	67,384	71,341
	571,458	575,415

Notes to the consolidated financial statements (continued)

16 Investment in subsidiaries (continued)

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

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

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

Notes to the consolidated financial statements (continued)

17 Investment in unquoted shares

	Group	
	2010	**2009**
	Shs'000	**Shs'000**
1,000 shares in Vipingo Beach Limited at cost	15,251	15,251

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

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
18 Inventories				
Sisal fibre at fair value	162,165	124,912	57,545	41,507
Finished goods	25,744	21,278		-
Stores and raw materials at cost less provision	135,089	134,258	23,941	26,235
	322,998	280,448	81,486	67,742
19 Receivables and prepayments				
Trade receivables	11,308	7,341	512	3,650
Prepayments	13,761	14,176	3,175	3,536
Amounts due from related parties (Note 30)	108,952	81,114	32,763	15,973
Amounts due from group companies (Note 30)	-	-	73,658	50,195
VAT recoverable	71,478	58,453	15,789	18,078
Other receivables	19,514	11,121	1,706	861
	225,013	172,205	127,603	92,293
20 Bank balances and cash				
Cash at bank and in hand	16,100	31,068	9,599	6,470

Notes to the consolidated financial statements (continued)

20 Bank balances and cash (continued)

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

	Group	
	2010	**2009**
	Shs'000	**Shs'000**
Cash at bank and in hand as above	16,100	31,068
Bank overdrafts (Note 22)	(160,830)	(85,359)
Cash and cash equivalents	(144,730)	(54,291)

21 Share capital

Authorised, issued and fully paid	**Number of shares (Thousands)**	**Ordinary shares Shs'000**
Balance at 1 October 2008, 1 October 2009 and 30 September 2010	60,000	300,000

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

22 Borrowings

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Total borrowings	296,960	131,748	96,390	71,922
Less: current portion	(262,976)	(110,024)	(78,670)	(60,526)
Non-current portion	33,984	21,724	17,720	11,396

The borrowings are made up as follows:

Non-current				
Bank loans	33,984	21,724	17,720	11,396
Current				
Bank overdrafts	160,830	85,359	60,906	45,917
Bank loans	37,522	24,665	17,764	14,609
Related party (Note 30)	64,624	-	-	-
	262,976	110,024	78,670	60,526
Total borrowings	296,960	131,748	96,390	71,922

Notes to the consolidated financial statements (continued)

22 Borrowing (continued)

Analysis of borrowings by currency

Group

	Borrowings in Kshs Shs'000	**Borrowings in Tshs Shs'000**	**Borrowings in USD Shs'000**	**Total Shs'000**
2010				
Bank overdrafts	106,966	18,363	35,501	160,830
Bank loans	71,506	-	-	71,506
Related party loan	-	-	64,624	64,624
	178,472	18,363	100,125	296,960
2009				
Bank overdrafts	60,618	2,256	22,485	85,359
Bank loans	46,389	-	-	46,389
	107,007	2,256	22,485	131,748

Company

	Borrowings in Kshs Shs'000	**Borrowings in USD Shs'000**	**Total Shs'000**
2010			
Bank overdrafts	27,839	33,067	60,906
Bank loans	35,484	-	35,484
	63,323	33,067	96,390
2009			
Bank overdrafts	25,247	20,670	45,917
Bank loans	26,005	-	26,005
	51,252	20,670	71,922

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

The related party loan was in respect of an unsecured loan of US$800,000 received from Wigglesworth & Company Limited. Interest on the loan was charged at 5.0%. The loan was repaid subsequent to 30 September 2010.

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

	Group		Company	
	2010	**2009**	**2010**	**2009**
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	10.9%	11.9%	10.5%	11.5%
-bank loans – Kshs	10.5%	11.8%	10.0%	11.5%
-bank overdrafts – Tshs	9.5%	11.0%	-	-
-bank overdrafts – US$	5.0%	5.1%	5.0%	5.0%
- related party – US$	5.0%	-	-	-

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Maturity of non-current loans				
Between 1 and 2 years	22,992	18,350	12,466	8,022
Between 2 and 5 years	10,992	3,374	5,254	3,374
	33,984	21,724	17,720	11,396

Notes to the consolidated financial statements (continued)

23 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2009: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	86,168	84,296	(39,495)	(22,327)
Tax charge/(credit) recognised in profit or loss (Note 10)	4,972	7,460	(13,559)	(17,168)
Translation adjustment	(4,330)	(5,588)	-	-
At end of year	86,810	86,168	(53,054)	(39,495)

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Deferred tax assets	(54,220)	(40,612)	(53,054)	(39,495)
Deferred tax liabilities	141,030	126,780	-	-
	86,810	86,168	(53,054)	(39,495)

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) in profit or loss, are attributable to the following items:

Group

	1.10.2009	Charged/ (credited) to profit or loss	Translation adjustment	30.9.2010
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Property, plant and equipment	37,999	15,098	(1,324)	51,773
Biological assets	120,416	8,368	(3,547)	125,237
Acquisition of subsidiary	7,676	-	-	7,676
	166,091	23,466	(4,871)	184,686
Deferred tax assets				
Provisions	(38,465)	(10,257)	464	(48,258)
Tax losses carried forward	(41,458)	(8,237)	77	(49,618)
	(79,923)	(18,494)	541	(97,876)
Net deferred tax liability	86,168	4,972	(4,330)	86,810

In addition to the above, there is a further deferred income tax asset attributable to tax losses carried forward amounting to Shs 23,061,000 (2009: Shs 22,599,000) relating to a subsidiary company which has not been recognised in the financial statements because, in the view of the directors, it is not certain that sufficient taxable profits will be generated in the foreseeable future against which the tax losses can be utilised.

Notes to the consolidated financial statements (continued)

23 Deferred tax (continued)

Company

	1.10.2009	Charged/ (credited) to profit or loss	30.9.2010
	Shs'000	Shs'000	Shs'000
Deferred tax liabilities			
Property, plant and equipment	7,829	(282)	7,547
Biological assets	14,834	(2,383)	12,451
	22,663	(2,665)	19,998
Deferred tax assets			
Provisions	(20,700)	(5,065)	(25,765)
Tax losses	(41,458)	(5,829)	(47,287)
	(62,158)	(10,894)	(73,052)
Net deferred tax asset	(39,495)	(13,559)	(53,054)

Notes to the consolidated financial statements (continued)

24 Post employment benefit obligations

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Post employment benefit obligations comprise:				
(a) Staff retirement gratuity	77,716	65,653	39,348	35,674
(b) Defined benefit scheme liability	65	65	43	43
	77,781	65,718	39,391	35,717

(a) Staff retirement gratuity

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
At start of year	65,653	62,193	35,674	33,064
Charged to profit or loss	18,593	9,764	7,379	6,332
Utilised during year	(6,106)	(5,849)	(3,705)	(3,722)
Translation adjustment	(424)	(455)	-	-
At end of year	77,716	65,653	39,348	35,674

(b) Defined benefit scheme

The group operates a final salary defined benefit pension scheme for certain employees. The assets of the scheme are held in a separate trustee administered fund. The pension cost to the group is assessed in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years. The next full valuation is due on 1 January 2011.

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

	2010	**2009**
	Shs'000	**Shs'000**
Present value of funded obligations	96,775	91,882
Fair value of scheme assets	(138,145)	(88,873)
Net (over)/under funding in funded plan	(41,370)	3,009
Unrecognised actuarial gain/(loss)	41,435	(2,944)
Net liability at the end of the reporting period	65	65

Notes to the consolidated financial statements (continued)

24 Post employment benefit obligations (continued)

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

	2010 Shs'000	**2009 Shs'000**
Current service cost net of employees' contributions	3,362	3,741
Interest on obligation	9,374	8,395
Expected return on plan assets	(9,164)	(8,325)
Net actuarial loss recognised in the year	1,530	1,710
Net charge for the year included in staff costs	5,102	5,521
Contributions paid	(5,102)	(5,521)
Movement in the liability recognised at the end of the accounting period	-	-

The principal actuarial assumptions used were as follows:

	2010	**2009**
- discount rate	10%	10%
- expected rate of return on scheme assets	10%	10%
- future salary increases	8%	8%
- future pension increases	0%	0%

The group also contributes to a defined contribution retirement benefit scheme for certain non-unionisable employees. The group contributed shs 659,000 to this scheme during the year (2009:shs 492,000) which has been charged to profit or loss.

The group also makes contributions to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 September 2010, the group contributed Shs 18,694,000 (2009:Shs 17,607,000) which has been charged to profit or loss.

Notes to the consolidated financial statements (continued)

25 Payables and accrued expenses

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Trade payables	65,731	48,454	19,808	20,049
Amounts due to related parties (Note 30)	7,819	12,403	821	3,311
Amounts due to group companies (Note 30)	-	-	399,514	403,614
Provision for leave pay	17,476	16,432	8,259	7,103
Accrued expenses	30,329	24,318	15,793	7,753
Other payables	24,245	11,032	3,976	3,771
	145,600	112,639	448,171	445,601

26 Other liabilities

This refers to the deferred consideration payable by Amboni Plantations Limited to Amboni Sisal Properties Limited for the purchase of Kigombe Estate.

	Group	
	2010	**2009**
	Shs'000	**Shs'000**
Total purchase consideration (Note 6)	143,850	-
Less: Deposit paid	87,304	-
	56,546	-
Current	28,273	-
Non-current	28,273	-
	56,546	-

The amounts due to Amboni Sisal Properties Limited, payable in US Dollars, have not been discounted as the amounts involved are not considered to be significant.

Notes to the consolidated financial statements (continued)

27 Contingent liabilities

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

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

Amboni Spinning Mill Limited tax assessment

During the year, the Tanzania Revenue Authority (TRA) issued assessments in respect of corporation tax in the amount of Tsh 30,537,433 covering the years of income 2006 and 2007. The company has disputed the assessments and paid Tsh 10,179,144 as deposit, being one third of the assessments as required by law. The disputed assessments have not been provided for as, in the opinion of the directors, the company has good grounds for the objections lodged. Management is pursuing the resolution of the disputed matters with the Authority.

28 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	
	2010	**2009**	**2009**	**2008**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Authorised and contracted for	20,732	6,214	7,740	247

Operating lease commitments

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Not later than 1 year	6,799	4,280	3,917	1,482
Between 2 and 5 years	14,965	13,214	13,524	9,017
Over 5 years	-	2,170	-	2,170
	21,764	19,664	17,441	12,669

Notes to the consolidated financial statements (continued)

29 Notes to the statement of cash flows

(a) Reconciliation of profit before tax to cash generated from operations:

	2010 Shs'000	2009 Shs'000
Profit before tax	103,910	214,066
Adjustments for:		
Finance costs recognised in the profit for the year	19,631	17,250
Interest income recognised in the profit for the year	(589)	(1,470)
Depreciation (Note 13)	51,292	49,977
Fair value adjustment of biological assets (Note 14)	(2,825)	(89,022)
Amortisation of prepaid operating lease rentals (Note 15)	420	282
Profit on sale of property, plant and equipment	(2,975)	(4,136)
Operating profit before working capital changes	168,864	186,947
Working capital changes:		
- receivables and prepayments	(57,881)	78,398
- inventories	(50,745)	53,591
- payables and accrued expenses	35,342	(6,296)
- post employment benefit obligations	12,488	3,916
Cash generated from operations	108,068	316,556

(b) Net cash outflow on purchase of property, plant and equipment

	2010 Shs'000
Addition during the year	83,953
Addition on acquisition of Kigombe estate	129,822
Total additions (note 13)	213,775
Less: Deferred consideration (note 26)	(56,546)
Net cash outflow	157,229

30 Related party transactions

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

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

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

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

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

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

i) Sales of goods and services

	Group	
	2010	**2009**
	Shs'000	**Shs'000**
Sale of sisal fibre and yarns		
Wigglesworth & Company Limited	1,223,922	1,166,828

ii) Purchase of management and legal services

Kaplan & Stratton	771	218
REA Trading Limited	3,240	3,110
	4,011	3,328

iii) Purchase of goods and services

Wigglesworth & Company Limited – mill machinery	1,747	-

iv) Interest paid

Wigglesworth & Company Limited	314	543

v) Key management compensation

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

Salaries and other short term benefits	67,301	60,113
Post employment benefits	548	548
	67,849	60,661

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

vi) Outstanding balances

Current receivables (Note 19)		
Wigglesworth & Company Limited	108,952	81,114
Current payables		
Wigglesworth & Company Limited – current account (Note 25)	7,819	12,403
Wigglesworth & Company Limited – loan (Note 22)	64,624	-
	72,443	12,403

vii) Outstanding balances

	Company	
	2010	**2009**
	Shs'000	**Shs'000**
Current receivables (Note 19)		
Amounts due from group companies		
Dwa Estate Limited	60,007	27,850
Amboni Plantations Limited – current account	5,151	1,845
Amboni Plantations Limited – loan account	8,500	20,500
	73,658	50,195

The loan due from Amboni Plantations Limited is unsecured and interest bearing. The effective rate of interest during the year was 11% p.a. (2009: 11% p.a.).

Amounts due from related parties		
Wigglesworth & Company Limited	32,763	15,973
Current payables		
Amounts due to group companies		
Amboni Spinning Mill Limited	3,216	3,537
Wigglesworth Exporters Limited	694	2,472
Vipingo Estate Limited	395,604	397,605
	399,514	403,614
Amounts due to related parties		
Wigglesworth & Company Limited	821	3,311

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

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