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Company information

Directors

The directors of the company are as follows:

Oliver Fowler

Chairman, non-executive, aged 62, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 35 years. He was raised on a tea plantation in Limuru, of which he was a director until 2009.

Neil Cuthbert

Managing, aged 59, 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 69, 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 60, is a licensed valuer and estate agent. He is the managing director of Lloyd Masika Limited and has been practising as a valuer and estate agent in Kenya and also in Tanzania and Uganda for over 30 years. He is a non-executive director of Kakuzi Limited.

Brown Ondego

Independent non-executive, aged 63, has extensive experience in the shipping industry. Whilst serving as managing director of Mackenzie Maritime Limited he was recruited to serve as managing director of Kenya Ports Authority, a position he held until 2005. He is currently executive vice-chairman of Rift Valley Railways Limited and a non-executive director of Barclays Bank of Kenya Limited.

Secretary and registered office

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

Registrars and transfer office

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

Independent auditors

Deloitte & Touche,
Certified Public Accountants (Kenya),
Deloitte Place, Waiyaki Way,
Muthangari,
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

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

Advocates

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

Notice of meeting

Notice is hereby given that the twentieth annual general meeting of the company will be held at Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Tuesday 28 April 2015, 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 2014.
3. To approve the payment of a first and final dividend for the year ended 30 September 2014 in such amount as may be recommended by the directors.
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 2015.
6. To note that Deloitte & Touche continue as auditors under the provisions of section 159(2) of the Kenyan Companies Act.
7. To authorise the directors to negotiate the auditors' remuneration.

By order of the board

I R HODSON
Secretary
16 March 2015

Note:

Election of directors
Article 82E states as follows:

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

Corporate governance

The board of REA Vipingo Plantations Limited ("the company") is committed to the principle that the company and its subsidiary companies ("the group") should operate with integrity and ethics and maintain a high standard of corporate governance in the interest of shareholders and all other stakeholders. The Board believes that the company has complied with the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya issued by the Capital Markets Authority ("the CMA guidelines") and the Nairobi Securities Exchange Continuing Listing Requirements.

Board of Directors

The board of directors is responsible for the overall management and long-term strategy of the group and to ensure that the group complies with statutory and regulatory requirements and fulfils its responsibilities to shareholders and the wider community.

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

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 roles of the Chairman and Managing Director are clearly separated. The Chairman leads the board in its oversight of the group's activities and ensures that the board is able to function effectively. Day to day management of the business and implementation of policy decisions approved by the board is the responsibility of the Managing Director, who leads other senior personnel.

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. They also have unrestricted access to senior management and the company secretary.

Committees of the Board

There are three standing committees of the board, each with its own separate written terms of reference.

Audit Committee

The members of the Audit Committee are Oliver Fowler, Richard Robinow and Stephen Waruhiu. The principal responsibilities of the committee include the review of financial and other reports, the effectiveness of internal controls and agreeing the scope of and subsequently reviewing the results of the internal and external audits. 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.

Nomination Committee

The members of the nomination committee are Oliver Fowler, Richard Robinow and Neil Cuthbert. It makes recommendations to the board relating to the appointment of directors. Directors are appointed on the basis that the board should provide a broad range of experience and expertise relevant to the requirements of the group, whilst taking into consideration the need to represent the interests of all shareholders. The committee meets as and when required.

Corporate governance *(Continued)*

Remuneration Committee

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

Communication with shareholders

The annual report is distributed to all shareholders at least 21 days prior to the annual general meeting. At the annual general meeting, shareholders are invited to question the board on the financial results and other matters of general relevance to the group.

Other communications are distributed to shareholders as necessary.

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

Directors' emoluments and loans

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

The employment terms of the managing director are defined by a service contract. There are no long-term service contracts relating to the position of any other director.

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

Employment and environmental practices

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

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

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

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

The group has developed some years ago a method of recycling waste water from the sisal decorticators at Dwa Estate. Reservoirs to store waste water were constructed and the water has successfully been used for irrigation of horticulture crops. A similar arrangement has recently been developed at the Vipingo factory site with the recovered waste water being used to irrigate a small banana project.

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

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 provided with easy access to potable water, shops, clinics and schools.

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

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

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

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

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

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

Directors' interest

The interest of the directors in the shares of the company at 30 September 2014 were as follows:

Name of director	**Number of ordinary shares**	
	2014	2013
Oliver Fowler	58,929	58,929
Neil Cuthbert	2,259,992	2,259,992
Richard Robinow	26,786	26,786

In addition, companies controlled by the Robinow family and their subsidiary and associated companies own 34,226,854 shares in the company (2013: 34,226,854 shares).

Corporate governance *(Continued)*

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

Name	No of Shares	Percentage
REA Holdings plc	21,880,745	36.47%
REA Trading Limited	12,346,109	20.57%
N.R. Cuthbert	2,259,992	3.77%
Standard Chartered Nominees Account 9532	2,051,000	3.42%
Shardeben Vithandas Morjaria	863,377	1.44%
Kenyalogy.com	836,900	1.39%
CFC Stanbic Nominees Account R93201	753,200	1.26%
Dinker & Harbala Waghmarae	688,400	1.15%
Mamujee Brothers Foundation	687,907	1.15%
Goodwill (Nairobi) Limited Account W626	500,000	0.83%
Hydery (P) Limited	500,000	0.83%
	43,367,630	72.28%
5,863 other shareholders	16,632,370	27.72%
	60,000,000	100.00%

Distribution schedule

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
1-500	2,547	416,790	0.69%
501-5,000	2,913	4,407,539	7.35%
5,001-10,000	189	1,388,870	2.31%
10,001-100,000	184	4,655,454	7.76%
100,001-1,000,000	37	10,593,501	17.66%
Above 1,000,000	4	38,537,846	64.23%
	5,874	60,000,000	100.00%

Shareholder profile

Local individual shareholders	5,378	16,711,880	27.85%
Local institutional shareholders	420	5,120,588	8.53%
Foreign individual shareholders	70	3,508,692	5.85%
Foreign institutional shareholders	6	34,658,840	57.77%
	5,874	60,000,000	100.00%

Chairman's statement

Although the reported profit before tax for the year of shs 530.80 million is lower than the recorded profit for the previous year, the reduction is wholly attributable to much lower "theoretical" gains arising from the valuation of biological assets. The profit for the year before tax and before accounting for the valuation of biological assets increased by shs 35.5 million over the previous year.

Overall fibre volumes produced were exactly the same as in the previous year at 19,171 tonnes. The production achieved by the Kenya estates was almost exactly to budget expectations but, regrettably, output from our Tanzanian estates was 8.3% below budget. During the first half of the year the Tanzanian estates faced some operational difficulties, largely as a result of labour availability. The situation did improve during the second half of the financial period when volumes were much more in line with expectations.

In addition to erratic labour availability in Tanzania, we continue to have to operate in an environment of extremely unreliable power supplies which result in the use, on an almost daily basis, of standby generators at all units. There are no signs that grid electricity supply will improve in Tanzania in the foreseeable future and so we are progressively replacing our generators in order to maintain a reliable back-up supply.

The labour situation on our Tanzanian estates has, since around April 2014, remained more consistent with the result that volumes during the current financial period are more in line with budget expectations and, if this can be maintained, we do expect to see an improved output this year.

The Vipingo estate received good rainfall in 2014 and, as a result, produced well during the year under review. Dwa, however, had very disappointing rains and endured drought conditions towards the end of financial period and through most of the first quarter of the current year. The November 2014 rains at Dwa have been below average and so the April rains are critical for the second half of this financial period.

The Tanga spinning mill produced and sold almost the same volume of yarn and ropes as during the previous year and was successful in increasing sales prices into both the international and regional markets. Operating costs were generally in line with budget with the result that overall the mill produced a good contribution.

The horticulture division at Dwa, despite a slow start to the year, produced a return in line with expectations and continues to operate satisfactorily in a difficult environment.

Despite fibre volumes remaining unchanged from the previous year, group turnover was shs 130 million higher at shs 2.70 billion. Operating expenses were in line with expectations in Kenya and slightly higher, due to lower volumes, in Tanzania.

The sisal fibre market, which has been firm now for quite a number of years, continued to strengthen during the year and prices have reached record levels. The improved prices have, to some extent, been supported by a shortage of Brazilian fibre following an extended drought in the sisal growing areas in Brazil and by strong demand in some of the markets in which we hold a particularly good position.

Chairman's statement *(Continued)*

The economic and political uncertainties in a number of regions of the world have recently contributed to generally lower world commodity prices. Whilst there are currently no indications that sisal fibre prices will follow this trend, shareholders should be aware that the factors influencing the prices of other commodities could have an impact on fibre prices. Additionally, the US dollar, the currency in which sisal fibre is traded, is also presently strong against most of the world's major currencies.

Provided the April rains, particularly at the Dwa estate, are satisfactory, and demand and prices for sisal fibre are maintained, your directors expect that we will produce a satisfactory result during the current period. However, as noted above, the rains at Dwa are critical, as is the stability of demand for fibre from our main markets.

Shareholders will be aware that the competing take-over situation that the company faced during early 2014 has resulted in the process being stayed by the High Court of Kenya by proceedings brought by one of the offerors, Centum Investment Company Limited. It is hoped that there will not be too much further delay in resolving the current situation and shareholders will be provided with further information once the company is in a position to do so.

The business has, despite the delayed competing take-over situation, operated normally throughout and management have been assured by the controlling shareholder, R.E.A. Trading Limited, that there will be no change in the way the business is managed.

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

OLIVER FOWLER
CHAIRMAN
26 January 2015

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2014 and crops are stated for the whole year ended on that date and referred to as the 2014 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	3,525
Older sisal	177
Immature sisal	1,400
Nurseries	81
Other areas	3,707
Horticulture	100
	8,990

The rains during 2013 were satisfactory with the result that the estate entered the financial period with an adequate leaf position and produced well during the first two quarters. The April 2014 rains were, however, very disappointing with the result that the estate suffered drought conditions during the final quarter and produced only very poor quality fibre during that period.

As a consequence of the drought, overall fibre production was 6,891 tonnes (7,193 tonnes in 2013).

The annual replant at Dwa is carried out, in the main, prior to the November rains, which are historically the more reliable in the area and, during 2014, some 458 hectares of new sisal was planted. It is intended that going forward Dwa will plant in the region 450 to 480 ha per annum with a view to maintaining a consistent production, during normal weather conditions, of slightly in excess of 7,000 tonnes per annum.

The rains during November/December 2014 have not been excessive but adequate and so the estate should recover from the drought and better volumes are expected from January onwards.

Horticulture

The Dwa horticulture activities are based around two centres, a pivot irrigation system on the main estate near to the sisal factory and a 130 acre plot of leased land on the Athi River, near to the estate. The main crop produced at both locations continues to be baby corn which, ordinarily, grows well in the hot conditions in this area.

Water resources on the Dwa property are limited and to a very large degree horticulture activities are reliant on waste water from the sisal factory which is recovered and recycled.

Baby corn yields were poor during the first quarter of the financial period as a result of seed supply difficulties but, the remainder of the year saw improved yields and overall volumes were excellent during the second half of the year.

In addition to baby corn, chilli and asparagus are also produced at Dwa but in relatively low volumes.

The hot conditions for most of the year in the Dwa area, and the water constraints, do restrict what can be grown and on what scale with the result that there are no immediate plans for further expansion.

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	2,069
Older sisal	379
Immature sisal	983
Nurseries	81
Other areas	767
	4,279

For the second successive year Vipingo had a good rainfall distribution and, as a result, the estate enjoyed a satisfactory leaf position throughout the year. A total of 4,854 tonnes (2013 – 4,761 tonnes) of fibre was produced during the year. The good quality leaf that was available enabled the estate to also produce a very satisfactory grade mix.

The annual replant at Vipingo is carried out, in the main, prior to the April rains and during 2014 some 287 ha was planted. Going forward, land resources dictate that replanting will be done at a rate of between 250 and 280 ha per annum which is expected to maintain production consistently at around 5,000 tonnes per annum.

The November 2014 rains have been adequate and the estate continues to have a good leaf position. Providing the estate has a reasonably normal rainfall pattern for the remainder of the year, the estate should produce in the region of 5,000 tonnes this year.

Amboni Plantations Limited

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

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

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

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

	Hectares
Mature sisal	3,849
Older sisal	897
Immature sisal	1,431
Nurseries	96
Other areas	8,563
	14,836

The Tanzanian estates had a good rainfall distribution during the financial period and, as a result, had a good leaf position throughout. Although the estates do face more operational challenges than their Kenya counterparts, total fibre production increased to 7,371 tonnes (2013 – 7,214 tonnes).

Poor and inconsistent mains power remains a major headache and cost with the almost daily use of expensive standby generators on all estates.

The nomadic nature of a significant portion of the workforce in Tanzania continues to pose a serious challenge to

Review of operations *(Continued)*

Amboni Plantations Limited *(Continued)*

management. However, since mid 2014, labour numbers have stabilised and, if this can be sustained, should result in a further increase in volume during the current period.

The new plantings at Kigombe are starting to mature with the result that volumes will start to increase from 2016 onwards.

Replanting in Tanzania is largely carried out prior to the April rains and in 2014 a total area of 500 ha was planted with 201 ha of this at Kigombe.

Amboni Spinning Mill Limited

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

Demand for yarn in the local and regional markets remained good throughout the year and represented just over half of the total sales. The international market, although very competitive, contributed slightly more than expected in terms of sales and overall total production and sales were in line with the previous years at 2,400 tonnes (2013 – 2,448 tonnes).

Despite increased fibre costs, and pricing challenges into all markets, the mill produced a very satisfactory contribution to group results.

Further increases in sisal fibre prices, the largest cost for the mill, means that finished product prices will have to rise further in order to maintain margins. As always this will be a challenge.

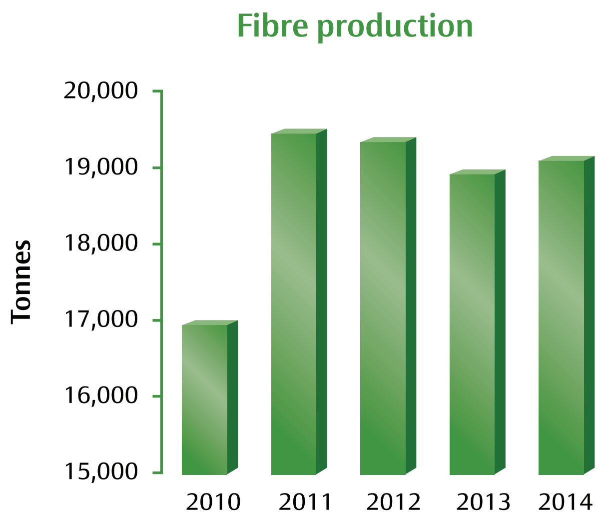
Marketing

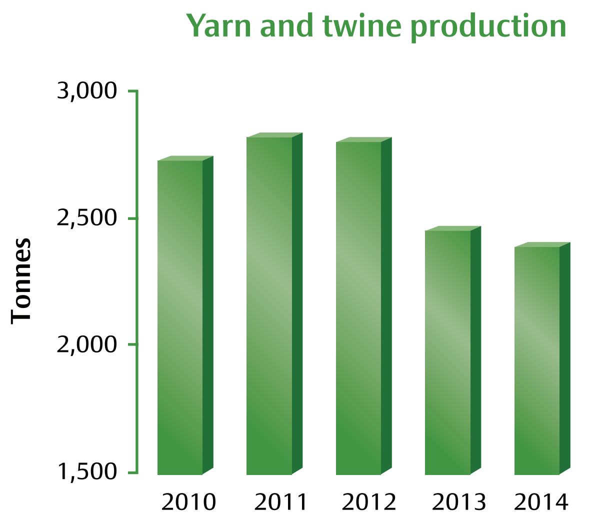
Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Company Limited, and this arrangement continued through the year to 30 September 2014. Wigglesworth & Company Limited, which is a leading international sisal merchant, continued to develop the existing traditional markets for the group products and to exploit further the developing niche markets for the quality fibre and yarns that the group is able to produce.

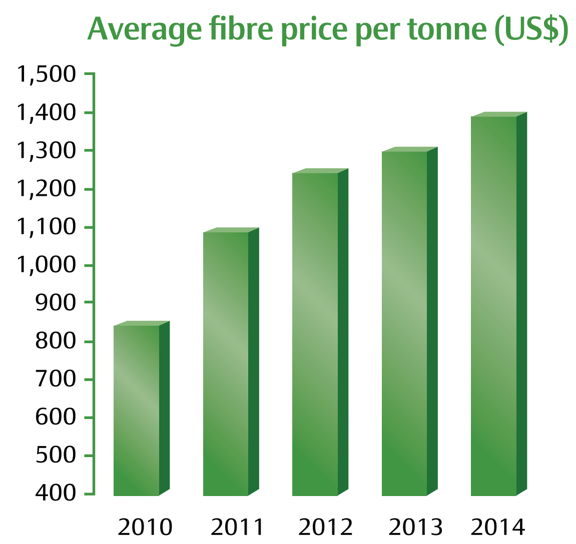
Review of operations *(Continued)*

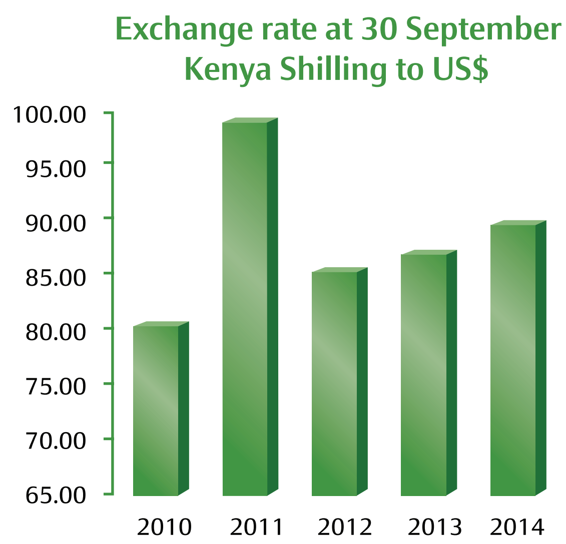
Group statistical information

Total sisal fibre production was 19,171 tonnes (2013: 19,168 tonnes) and spun product production was 2,400 tonnes (2013: 2,448 tonnes). The average price of sisal fibre increased by approximately $103 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 2014 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 and production of sisal and horticultural produce, manufacture of sisal yarns and twines, sisal export and commission agent and property holding.

Results and dividend

The group profit for the year of Shs 350,929,000 (2013 restated: Shs 444,811,000) has been added to retained earnings.

The directors have not yet made a recommendation regarding the payment of a dividend for the year ended 30 September 2014. (2013: Nil).

Directors

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

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

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
26 January 2015

Statement of directors' responsibilities

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

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

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

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

N R Cuthbert	O M Fowler
Director	Director

26 January 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of REA Vipingo Plantations Limited and its subsidiaries, set out on pages 17 to 78, which comprise the consolidated and company statements of financial position as at 30 September 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion the 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 2014 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

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

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Fred Okwiri – P/No 1699.

Certified Public Accountants (Kenya)
Nairobi, Kenya
26 January 2015

Consolidated statement of profit or loss and other comprehensive income

	Notes	2014 Shs'000	2013 Shs'000 Restated
Revenue	5	2,700,547	2,570,103
Net gain arising from changes in fair value of biological assets	13	72,100	228,154
Cost of sales		(1,482,238)	(1,422,005)
Gross profit		1,290,409	1,376,252
Interest income		17,883	2,608
Other operating income		16,702	2,682
Foreign exchange gains – net		879	503
Distribution costs		(93,997)	(94,711)
Administrative expenses		(694,007)	(624,752)
Other operating expenses		(3,876)	(3,554)
Finance costs	8	(3,190)	(7,686)
Profit before tax	6	530,803	651,342
Tax charge	9(a)	(179,874)	(206,531)
Profit for the year		350,929	444,811
Comprising:			
Profit arising from operating activities		300,459	285,104
Profit arising from changes in fair value of biological assets		50,470	159,707
		350,929	444,811
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	24 (b)	27,018	19,305
Deferred tax liability attributable to remeasurement of net defined benefit asset	9 (b)	(8,105)	(5,791)
Remeasurement of defined benefit asset net of tax		18,913	13,514
Item that may be reclassified subsequently to profit or loss			
Foreign exchange adjustment on translation of foreign subsidiaries		(7,531)	(2,741)
Other comprehensive income for the year		11,382	10,773
Total comprehensive income for the year		362,311	455,584
Earning per share – basic and diluted	10	Shs5.85	Shs 7.41

Consolidated statement of financial position

As at 30 September 2014	Notes	2014 Shs'000	2013 Shs'000 Restated	2012 Shs'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	12(a)	847,448	833,764	806,444
Biological assets	13(a)	951,834	883,019	656,077
Investment properties	14	4,509	4,564	4,619
Investment in unquoted shares	17	9,151	9,151	9,151
Deferred tax assets	23	3,681	3,020	1,742
Post employment benefit asset	24(b)	98,190	59,606	33,070
		1,914,813	1,793,124	1,511,103
Current assets				
Inventories	18	493,872	443,017	461,210
Receivables and prepayments	19	536,194	359,322	366,792
Tax recoverable	9(c)	16,736	4,825	23,253
Cash and cash equivalents	20	241,516	233,723	28,301
		1,288,318	1,040,887	879,556
Total assets		3,203,131	2,834,011	2,390,659
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	21	300,000	300,000	300,000
Share premium	21	84,496	84,496	84,496
Translation deficit		(125,375)	(117,844)	(115,103)
Retained earnings		2,224,852	1,855,010	1,462,685
Shareholders' funds		2,483,973	2,121,662	1,732,078
Non-current liabilities				
Borrowings	22	-	28,735	48,605
Deferred tax liabilities	23	356,294	327,114	246,565
Post employment benefit obligations	24(a)	164,813	135,837	105,427
		521,107	491,686	400,597
Current liabilities				
Payables and accrued expenses	25	164,156	143,691	155,486
Tax payable	9(c)	4,288	47,369	-
Borrowings	22	29,607	29,603	102,498
		198,051	220,663	257,984
Total equity and liabilities		3,203,131	2,834,011	2,390,659

The financial statements on pages 17 to 78 were approved for issue by the board of directors on 26th January 2015 and were signed on its behalf by:

N R Cuthbert Director

O M Fowler Director

Company statement of financial position

As at 30 September 2014	Notes	2014 Shs'000	2013 Shs'000 Restated	2012 Shs'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	12(b)	207,836	180,327	167,893
Biological assets	13(b)	120,223	129,077	61,894
Investments in subsidiaries	16	570,740	571,422	571,786
Post employment benefit asset	24(b)	61,101	36,198	20,178
		959,900	917,024	821,751
Current assets				
Inventories	18	84,685	74,834	85,294
Receivables and prepayments	19	164,554	217,587	281,977
Tax recoverable	9(c)	2,468	-	942
Cash and cash equivalents	20	184,039	113,270	6,001
		435,746	405,691	374,214
Total assets		1,395,646	1,322,715	1,195,965
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	21	300,000	300,000	300,000
Share premium	21	84,496	84,496	84,496
Retained earnings		466,800	411,416	292,219
Shareholders' funds		851,296	795,912	676,715
Non-current liabilities				
Borrowings		-	-	2,304
Post employment benefit obligations	24(a)	71,330	67,120	51,519
Deferred tax liability	23	43,146	29,188	7,495
		114,476	96,308	61,318
Current liabilities				
Payables and accrued expenses	25	429,874	423,733	432,975
Borrowings		-	-	24,957
Tax payable	9(c)	-	6,762	-
		429,874	430,495	457,932
Total equity and liabilities		1,395,646	1,322,715	1,195,965

The financial statements on pages 17 to 78 were approved for issue by the board of directors on 26th January 2015 and were signed on its behalf by:

N R Cuthbert Director

O M Fowler Director

Consolidated statement of changes in equity

	Share capital	Share premium	Translation deficit	Retained earnings: Employee benefit reserve	Retained earnings: Biological assets fair value	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
				Restated		Restated	Restated	Restated
Year ended 30 September 2013								
At start of year as previously stated	300,000	84,496	(115,103)	-	321,422	1,131,330	1,452,752	1,722,145
Prior year adjustment	-	-	-	9,933	-	-	9,933	9,933
Restated	300,000	84,496	(115,103)	9,933	321,422	1,131,330	1,462,685	1,732,078
Profit for the year	-	-	-	-	159,707	285,104	444,811	444,811
Other comprehensive (loss) / income for the year	-	-	(2,741)	13,514	-	-	13,514	10,773
Total comprehensive (loss) / income for the year	-	-	(2,741)	13,514	159,707	285,104	458,325	455,584
Dividend paid for 2012	-	-	-	-	-	(66,000)	(66,000)	(66,000)
At end of year	300,000	84,496	(117,844)	23,447	481,129	1,350,434	1,855,010	2,121,662

Consolidated statement of changes in equity *(Continued)*

	Share capital	Share premium	Translation deficit	Retained earnings: Employee benefit reserve	Retained earnings: Biological assets fair value	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
				Restated		Restated	Restated	Restated
Year ended 30 September 2014								
At start of year as previously stated	300,000	84,496	(117,844)	-	481,129	1,348,089	1,829,218	2,095,870
Prior year adjustments	-	-	-	23,447	-	2,345	25,792	25,792
Restated	300,000	84,496	(117,844)	23,447	481,129	1,350,434	1,855,010	2,121,662
Profit for the year	-	-	-	-	50,470	300,459	350,929	350,929
Other comprehensive (loss) / income for the year	-	-	(7,531)	18,913	-	-	18,913	11,382
Total comprehensive (loss) / income for the year	-	-	(7,531)	18,913	50,470	300,459	369,842	362,311
At end of year	300,000	84,496	(125,375)	42,360	531,599	1,650,893	2,224,852	2,483,973

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.

Prior year adjustment is as a result of implementation of IAS 19 (as revised in 2011) effective for annual periods beginning on or after 1 January 2013. The revised IAS 19 introduced a mandatory requirement that all actuarial gains and losses should be recognised through other comprehensive income in order for the net pension asset or liability to be recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. See Note 2 and Note 24.

Company statement of changes in equity

	Share capital	Share premium	Retained earnings				Total
			Employee benefit reserve	Biological assets fair value	Other	Total	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
			Restated		Restated	Restated	Restated
Year ended 30 September 2013							
As previously stated	300,000	84,496	-	(3,813)	289,971	286,158	670,654
Prior year adjustment	-	-	6,061	-	-	6,061	6,061
Restated	300,000	84,496	6,061	(3,813)	289,971	292,219	676,715
Profit for the year	-	-	-	47,028	130,029	177,057	177,057
Other comprehensive income for the year	-	-	8,140	-	-	8,140	8,140
Dividend paid - 2012	-	-	-	-	(66,000)	(66,000)	(66,000)
At end of year	300,000	84,496	14,201	43,215	354,000	411,416	795,912

Company statement of changes in equity *(Continued)*

	Share capital	Share premium	Retained earnings: Employee benefit reserve	Retained earnings: Biological assets fair value	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
			Restated		Restated	Restated	Restated
Year ended 30 September 2014							
At start of year as previously stated	300,000	84,496	-	43,215	352,576	395,491	780,287
Prior year adjustment	-	-	14,201	-	1,424	15,625	15,625
Restated	300,000	84,496	14,201	43,215	354,000	411,416	795,912
Profit for the year	-	-	-	(6,198)	49,188	42,990	42,990
Other comprehensive income for the year	-	-	12,394	-	-	12,394	12,394
At end of year	300,000	84,496	26,595	37,017	403,188	466,800	851,296

Prior year adjustment is as a result of implementation of IAS 19 (as revised in 2011) effective for annual periods beginning on or after 1 January 2013. The revised IAS 19 introduced a mandatory requirement that all actuarial gains and losses should be recognised through other comprehensive income in order for the net pension asset or liability to be recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. See Note 2 and Note 24.

Consolidated statement of cash flows

	Notes	2014 Shs'000	2013 Shs'000 Restated
Cash flows from operating activities			
Net cash generated from operations	28	356,617	554,748
Interest received		17,883	2,608
Interest paid	8	(3,190)	(7,686)
Tax paid	9(c)	(213,143)	(66,795)
Net cash generated from operating activities		158,167	482,875
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(129,783)	(133,182)
Proceeds from disposal of property, plant and equipment		8,019	12,511
Net cash used in investing activities		(121,764)	(120,671)
Cash flows from financing activities			
Proceeds from long-term borrowings		-	13,945
Repayment of long-term borrowings		(28,036)	(44,834)
Dividend paid to shareholders		-	(66,000)
Net cash used in financing activities		(28,036)	(96,889)
Increase in cash and cash equivalents		8,367	265,315
Cash and cash equivalents at start of year		233,723	(33,104)
Effects of exchange rate changes		(574)	1,512
Cash and cash equivalents at end of year	20	241,516	233,723

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

Basis of preparation

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

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

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

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

(i) *Relevant new standards and amendments to published standards effective for the year ended 30 September 2014*

The following new and revised IFRSs became effective during the current year but had no effect on the amounts reported in these financial statements or in presentation.:

IFRS 7 Financial instruments: Disclosures – offsetting of financial assets and financial liabilities

IFRS 10 Consolidated financial statements

IFRS 11 Joint arrangements

IFRS 12 Disclosure of interests in other entities

IAS 27 Separate financial statements

IAS 28 Associates and joint ventures

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

The following new and revised IFRSs were effective in the current year and effects on the group's accounting policies and presentation are set out below:

IFRS 13 Fair Value Measurement defines fair value and consolidates the guidance relating to the measurement of fair value which had previously been contained in individual IFRSs. The standard sets out the required disclosures with regard to fair value measurement. The adoption of the standard has had no effect on the reported results of the company but has increased the extent of fair value disclosures in the financial statements.

Amendments to IAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 – 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the company has restated the post-employment benefit asset as it adopted the revised IAS 19 standard, which has resulted in material effects on the information in the statement of financial position as at 1 October 2012. In accordance with the amendments to IAS 1, the company has presented a third statement of financial position as at October 2012 without the related notes except for the disclosure requirements relating to the impact on the application of the new standard.

IAS 19 (Revised) Employee Benefits

Previously, actuarial gains and losses of a defined benefit retirement scheme which did not exceed 10% of the greater of the present value of the pension obligations and the fair value of the scheme assets were not accounted for. Where such gains or losses did exceed 10% of the greater of the present value of the pension obligations and the fair value of the scheme assets, the excess was amortised over the anticipated average remaining service lives of the participating employees. The amendment to this standard now requires all actuarial gains or losses to be immediately recognised in the Statement of Other Comprehensive Income. Other amendments to this standard require the immediate recognition of past service costs, and the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined asset (liability). The amendments to this standard have been applied retrospectively and therefore the statements of financial position at 30 September 2013 and 30 September 2012 have been restated in conformity with the revised standard.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

Group

(i) Impact on assets, liabilities and equity as at 30 September 2012 of the application of the amendments to IAS 19 (as revised in 2011)

	As at 30 September 2012 (as previously stated) KShs'000	IAS 19 adjustments KShs'000	As at 30 September 2012 (as restated) KShs'000
Post-employment benefit asset	18,880	14,190	33,070
Provision for deferred tax	(240,566)	(4,257)	(244,823)
Employee benefit reserve	-	9,933	9,933

(ii) Impact on assets, liabilities and equity as at 30 September 2013 of the application of the amendments to IAS 19 (as revised in 2011)

	As at 30 September 2013 (as previously stated) KShs'000	IAS 19 adjustments KShs'000	As at 30 September 2013 (as restated) KShs'000
Post-employment benefit asset	22,761	36,845	59,606
Provision for deferred tax	(313,041)	(11,053)	(324,094)
Employee benefit reserve	-	23,447	23,447
Retained earnings	1,829,218	2,345	1,831,563

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(iii) Impact on total comprehensive income for the year on the application of IAS 19

Impact on profit for the year	**Year ended 30 September 2013 (as previously reported)**	**IAS 19 adjustments**	**As at 30 September 2013 (as restated)**
	Shs'000	**Shs'000**	**Shs'000**
Profit before tax	647,992	3,350	651,342
Tax charge	(205,526)	(1,005)	(206,531)
Profit for the year	442,466	2,345	444,811
Impact on the other comprehensive income for the year			
Remeasurement of net defined benefit asset	-	19,305	19,305
Deferred tax liability attributable to remeasurement of net defined benefit asset	-	(5,791)	(5,791)
	-	13,514	13,514
Foreign exchange adjustment on translation of foreign subsidiaries	(2,741)	-	(2,741)
Total comprehensive income for the year	439,725	15,859	455,584

Company

(i) Impact on assets, liabilities and equity as at 30 September 2012 of the application of the amendments to IAS 19 (as revised in 2011)

	As at 30 September 2012 (as previously stated)	**IAS 19 adjustments**	**As at 30 September 2012 (as restated)**
	Kshs'000	**Ksh'000**	**Kshs'000**
Post-employment benefit asset	11,520	8,658	20,178
Provision for deferred tax	(4,898)	(2,597)	(7,495)
Employee benefit reserve	-	6,061	6,061

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(ii) Impact on assets, liabilities and equity as at 30 September 2013 of the application of the amendments to IAS 19 (as revised in 2011)

	As at 30 September 2013 (as previously stated)	**IAS 19 adjustments**	**As at 30 September 2013 (as restated)**
	Ksh'000	**Ksh'000**	**Ksh'000**
Post-employment benefit asset	13,877	22,321	36,198
Provision for deferred tax	(22,492)	(6,696)	(29,188)
Employee benefit reserve	-	14,201	14,201
Retained earnings	395,791	1,424	397,215

(iii) Impact on total comprehensive income for the year on the application of IAS 19

Impact on profit for the year	**Year ended 30 September 2013 (as previously reported)**	**IAS 19 adjustments**	**Year ended 30 September 2013 (as restated)**
	Shs'000	**Shs'000**	**Shs'000**
Profit before tax	205,951	2,033	207,984
Tax charge	(30,318)	(609)	(30,927)
	175,633	1,424	177,057
Impact on other comprehensive income for the year			
Remeasurement of net defined benefit asset	-	11,629	11,629
Deferred tax liability attributable to measurement of net defined benefit asset	-	(3,489)	(3,489)
Other comprehensive income for the year	-	8,140	8,140
Total comprehensive income for the year	175,633	9,564	185,197

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

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

	Effective for annual periods beginning on or after
IAS 32 Financial instruments: Presentation	1 January 2014
IAS 36 Impairment of assets	1 January 2014
IAS 19R Employee benefits	1 July 2014
IAS 16 Property, plant and equipment and IAS 38 Intangible assets	1 January 2016
IAS 16 Property, plant and equipment and IAS 41 Agriculture	1 January 2016
IFRS 15 Revenue from contracts with customers	1 January 2017
IFRS 9 Financial instruments	1 January 2018

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

- **IAS 32 Financial instruments: Presentation**

  An amendment to IAS 32 Financial instruments: Presentation clarifies some of the requirements for the offsetting of financial assets and financial liabilities on the statement of financial position. The right of set off must be immediately available. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The directors do not anticipate that this amendment will have a significant impact in the presentation of financial assets and financial liabilities in the financial statements.

- **IAS 36 Impairment of Assets**

  The amendments to IAS 36 require the disclosure of the recoverable amount of an asset when an impairment loss has been recognized or reversed and a detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed.

  The amendments to IAS 36 are effective for periods beginning on or after 1 January 2014. The directors anticipate no material impact to the group's financial statements.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

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

- **IAS 19R Employee benefits**
  The amendment to IAS 19R clarifies that if contributions vary with service, the benefit of those contributions should be recognised over the working lives of the employees. This amendment is effective for periods beginning on or after 1 July 2014. Contributions to the group retirement benefit schemes are linked to salary only. The directors therefore anticipate no material impact to the group's financial statements.

- **IAS 16 Property, plant and equipment and IAS 38 Intangible assets**
  An amendment has been issued in respect of these standards which clarifies that revenue based methods are not suitable to calculate the depreciation of both tangible and intangible assets. These amendments are effective for periods beginning on or after 1 January 2016. The directors anticipate no material impact to the group's financial statements.

- **IAS 16 Property, plant and equipment and IAS 41 Agriculture**
  Currently biological assets, which comprise bearer plants and agricultural produce at the point of harvest, are accounted for under the principles of IAS 41 Agriculture. The amendments to these standards require that bearer plants will be accounted for under the principles of IAS 16 Property, plant and equipment and stated at either fair value or amortised cost, while agricultural produce at the point of harvest will continue to be accounted for under the principles of IAS 41 Agriculture and to be stated at fair value less costs to sell.

  The group has yet to assess the probable impact of these amendments.

- **IFRS 15 Revenue from contracts with customers**

  This standard is designed to establish the principles in respect of the recognition and reporting of revenue and cash flows arising from contracts with customers. The standard will apply to all contracts with customers and will replace the existing standards, IAS 11: Construction Contracts and IAS 18: Revenue. The directors do not anticipate that the adoption of this standard will have a significant impact on the reported results of the group but may have an effect on the disclosures relating to contracts with customers.

- **IFRS 9 Financial instruments**
  A final version of IFRS 9 Financial instruments was issued on 24 July 2014. The standard will replace IAS 39 Financial instruments: Recognition and measurement. The standard includes requirements for the recognition and measurement, impairment and derecognition of financial assets and liabilities. The standard contains three categories for the measurement of financial assets; amortised cost, fair value through other comprehensive income and fair value through profit or loss, dependent upon the entity's business model for the management of the financial assets and the financial asset's contractual cash flow characteristics. IFRS 9 retains the requirements of IAS 39 for classification of financial liabilities.

  The group has yet to assess the probable impact of the adoption of this standard.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies (Continued)

Consolidation

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

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

Costs related to acquisitions are expensed as incurred.

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

A list of subsidiary companies is shown in Note 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 dispatch of the products.

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

Inventories

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

Inventories of processed twine and yarn are valued at the lower of factory production cost and net realisable value. Cost comprises direct factory labour, other direct costs and related production overheads but excludes interest expenses. Provision is made for slow moving and obsolete inventories.

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.

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:

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

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

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

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

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

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

Investment property

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

Investment in unquoted shares

Unquoted investments are stated at cost less provision for impairment.

Biological assets

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

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Impairment *(Continued)*

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

Accounting for leases

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

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

Taxation

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

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

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

The pension costs are assessed using the projected unit credit method. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Retirement benefit obligations *(Continued)*

recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

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

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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

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

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

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

Employee entitlements

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

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

Investment in subsidiaries

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Investments

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

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

Borrowings

Borrowings are initially recorded at fair value, net of any transaction costs incurred, and are subsequently stated at amortised cost using the effective interest rate method. Any difference between the net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

Trade payables

Trade payables are stated at their nominal value.

Fair value measurement

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

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

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

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Fair value measurement *(Continued)*

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

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

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

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

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

Share Capital

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

Provisions

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

Dividends

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

Comparatives

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

Notes to the consolidated financial statements *(Continued)*

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.

Biological assets

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

Notes to the consolidated financial statements *(Continued)*

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

(b) Key sources of estimation uncertainty (Continued)

Defined benefit retirement scheme

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

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

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

Changes in actuarial assumptions including mortality of participating members.

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

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

Deferred tax asset

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

Income taxes

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management

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

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

Categories of financial instruments	**Group**		**Company**	
	2014	**2013**	**2014**	**2013**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	745,255	568,119	340,830	326,863
Financial liabilities				
Borrowings and payables	193,763	202,029	429,874	423,733

Market risk

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

Foreign exchange risk

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Foreign exchange risk (Continued)

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

	Assets		Liabilities	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Group				
US Dollars	350,797	269,972	48,209	67,866
Sterling Pound	4,076	567	6,539	6,307
Euro	1,759	1,169	-	14
South African Rand	504	-	-	-
	357,136	271,708	54,748	74,187
Company				
US Dollars	106,881	75,055	2,598	1,249

Foreign currency sensitivity analysis

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

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

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Impact on profit or loss:				
Euro	88 (i)	58 (i)	-	-
South African Rand	25 (i)	-	-	-
US Dollar	15,129 (i)	10,105 (i)	5,214 (i)	3,690 (i)
Sterling Pound	123 (ii)	298 (ii)	-	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Foreign exchange sensitivity analysis (Continued)

(i) Indicates the increase in profit of a weakening of the Kenya Shilling against the Euro, South African Rand and US Dollar by 5%. A strengthening of the Kenya Shilling against these currencies by 5% would result in a reduction in profit of the same amount

(ii) Indicates the reduction in profit of a weakening of the Kenya Shilling against the Sterling Pound 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

Price risk

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

Interest rate risk

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

Interest rate sensitivity analysis

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

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

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
	296	583	-	-

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-UK. Wigglesworth & Company Limited-UK is a long-established international sisal merchant. The normal credit period for sales to Wigglesworth & Company Limited-UK 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**
2014			
Bank balances	227,050	-	-
Trade receivables	16,447	13,260	-
Related party receivables	296,246	1,801	-
Others	177,432	-	-
Total	717,175	15,061	-
2013			
Bank balances	220,978	-	-
Trade receivables	14,033	3,535	-
Related party receivables	195,854	-	-
Others	120,974	-	-
Total	551,839	3,535	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk (Continued)

Company

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2014			
Cash at bank	182,130	-	-
Trade receivables	150	-	-
Related party and group receivables	111,019	-	-
Others	45,622	-	-
Total	338,921	-	-
2013			
Cash at bank	109,476	-	-
Trade receivables	610	436	-
Related party and group receivables	181,247	-	-
Others	31,300	-	-
Total	322,633	436	-

Bank balances are fully performing.

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

The default rate is low.

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

No amounts are considered to be impaired.

Liquidity risk

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

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Liquidity risk (Continued)

Group	**Less than 1 year** **Shs'000**	**Between 1 and 2 years** **Shs'000**	**Between 2 and 5 years** **Shs'000**
At 30 September 2014			
Borrowings	29,607	-	-
Payables, accrued expenses and other liabilities	164,156	-	-
Deferred charge on borrowings	662	-	-
Total financial liabilities	194,425	-	-
At 30 September 2013			
Borrowings	29,603	26,988	1,747
Payables, accrued expenses and other liabilities	143,691	-	-
Deferred charge on borrowings	2,889	972	30
Total financial liabilities	176,183	27,960	1,777

Company	**Less than 1 year** **Shs'000**	**Between 1 and 2 years** **Shs'000**	**Between 2 and 5 years** **Shs'000**
At 30 September 2014			
Payables, accrued expenses and other liabilities	429,874	-	-
At 30 September 2013			
Payables, accrued expenses and other liabilities	423,733	-	-

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	
	2014	**2013**	**2014**	**2013**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Amounts utilised	29,606	58,338	-	-
Amounts unutilised	285,841	291,554	141,360	140,045
Total available facilities	315,447	349,892	141,360	140,045

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	
	2014	**2013**	**2014**	**2013**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
		Restated		**Restated**
	2,627,622	2,291,541	1,334,545	1,286,517

Capital risk management

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

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

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

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

The group and the company had no net borrowings at the end of the reporting period, therefore a gearing ratio is not appropriate.

Notes to the consolidated financial statements *(Continued)*

5. Operating segments

(a) Business segments

The group is organised into two principal business segments:

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

	Agriculture Shs'000	Spinning Shs'000	Total Shs'000
Year ended 30 September 2014			
Total sales	2,425,265	428,229	2,853,494
Inter-segment sales	(149,769)	(3,178)	(152,947)
Sales revenue	2,275,496	425,051	2,700,547
Profit from operations	473,470	42,640	516,110
Interest income	17,883	-	17,883
Interest expense	(3,167)	(23)	(3,190)
Profit before tax	488,186	42,617	530,803
Tax	(166,374)	(13,500)	(179,874)
Profit for the year	321,812	29,117	350,929
Segment assets	3,034,715	168,416	3,203,131
Segment liabilities	708,424	10,734	719,158
Capital additions	129,414	369	129,783
Depreciation on property, plant and equipment	107,669	3,885	111,554
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

5. Operating segments *(Continued)*

(a) Business segments *(Continued)*

	Agriculture Shs'000 Restated	Spinning Shs'000	Total Shs'000 Restated
Year ended 30 September 2013			
Total sales	2,311,247	383,798	2,695,045
Inter-segment sales	(120,628)	(4,314)	(124,942)
Sales revenue	2,190,619	379,484	2,570,103
Profit from operations	611,216	45,204	656,420
Interest income	2,608	-	2,608
Interest expense	(7,550)	(136)	(7,686)
Profit before tax	606,274	45,068	651,342
Tax	(192,339)	(14,192)	(206,531)
Profit for the year	413,935	30,876	444,811
Segment assets	2,676,679	157,332	2,834,011
Segment liabilities	695,542	16,807	712,349
Capital additions	127,999	5,183	133,182
Depreciation on property, plant and equipment	97,986	4,028	102,014
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

5. Operating segments *(Continued)*

(b) Geographical segments

The group consists of two main geographical segments:

- Kenya
- Tanzania

Year ended 30 September 2014

	Kenya Shs'000	Tanzania Shs'000	Total Shs'000
Total sales	1,622,234	1,231,260	2,853,494
Inter-segment sales	(14,084)	(138,863)	(152,947)
Sales revenue	1,608,150	1,092,397	2,700,547
Profit from operations	194,380	321,730	516,110
Interest income	15,414	2,469	17,883
Interest expense	-	(3,190)	(3,190)
Profit before tax	209,794	321,009	530,803
Tax	(78,968)	(100,906)	(179,874)
Profit for the year	130,826	220,103	350,929
Segment assets	1,912,274	1,290,857	3,203,131
Segment liabilities	421,359	297,799	719,158
Capital additions	84,957	44,826	129,783
Depreciation on property, plant and equipment	57,249	54,305	111,554
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

5. Operating segments *(Continued)*

(b) Geographical segments *(Continued)*

Year ended 30 September 2013

	Kenya Shs'000 Restated	Tanzania Shs'000	Total Shs'000 Restated
Total sales	1,532,215	1,162,830	2,695,045
Inter-segment sales	(16,165)	(108,777)	(124,942)
Sales revenue	1,516,050	1,054,053	2,570,103
Profit from operations	418,540	237,880	656,420
Interest income	2,586	22	2,608
Interest expense	(2,736)	(4,950)	(7,686)
Profit before tax	418,390	232,952	651,342
Tax	(134,249)	(72,282)	(206,531)
Profit for the year	284,141	160,670	444,811
Segment assets	1,752,077	1,081,934	2,834,011
Segment liabilities	441,346	271,003	712,349
Capital additions	55,501	77,681	133,182
Depreciation on property, plant and equipment	53,044	48,970	102,014
Depreciation on investment property	55	-	55

Notes to the consolidated financial statements *(Continued)*

6. Profit before tax

		Group	
		2014 Shs'000	2013 Shs'000 Restated
The profit before tax is arrived at after charging /(crediting):			
Depreciation on property, plant and equipment (Note 12)		111,554	102,014
Depreciation on investment property (Note 14)		55	55
Operating lease payments		15,770	15,367
Staff costs (Note 7)		868,773	756,152
Auditors' remuneration	- group	8,306	8,380
	- company	2,400	2,400
Directors' emoluments	- fees	2,400	2,040
	- for management services	49,707	44,555
	Total of directors' emoluments	52,107	46,595
Directors' emoluments			
Company:	- fees	2,400	2,040
	- for management services	26,085	24,468
Total		28,485	26,508
Profit on disposal of property, plant and equipment		(6,510)	(9,878)

Profit for the year – company

The company profit for the year of Shs 42,990,000 (2013: Restated Shs 177,057,000) has been dealt with in the separate financial statements of REA Vipingo Plantations Limited.

7. Staff costs

	2014 Shs'000	2013 Shs'000
Salaries and wages	766,792	652,723
National Social Security Fund	34,857	32,573
Pension contributions –defined benefit retirement scheme credit (Note 24(b))	(4,824)	(661)
Pension contributions – defined contribution scheme	2,455	1,871
Gratuity and other terminal benefits	39,899	42,284
Medical	29,594	27,362
	868,773	756,152
Average number of permanent employees	3,652	3,625

Notes to the consolidated financial statements *(Continued)*

8. Finance costs

	Group	
	2014 Shs'000	**2013 Shs'000**
Interest expense	3,190	7,686

9. Tax

	2014 Shs'000	**2013 Shs'000 Restated**
(a) Tax recognised in profit or loss		
Current tax	158,080	132,579
Deferred tax charge (Note 23)	21,794	73,952
	179,874	206,531

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	
	2014 Shs'000	**2013 Shs'000 Restated**
Profit before tax	530,803	651,342
Tax calculated at a tax rate of 30%	159,241	195,403
Tax effect of:		
Income not subject to tax	(214)	-
Expenses not deductible for tax purposes	20,471	10,928
(Over) / under provision of deferred tax in prior year	(2,093)	7,841
Under /(over) provision of current tax in prior year	2,510	(7,786)
Deferred income tax asset not recognised	(41)	145
Tax charge	179,874	206,531

(b) Tax recognised in other comprehensive income

Deferred tax charge attributable to remeasurement of net Defined benefit asset (Note 9)	8,105	5,791

Notes to the consolidated financial statements *(Continued)*

9. Tax *(Continued)*

(c) Tax movement

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	42,544	(23,253)	6,762	(942)
Current year charge	158,080	132,579	12,370	12,723
Tax paid	(213,143)	(66,795)	(21,600)	(5,019)
Translation adjustment	71	13	-	-
At end of year	(12,448)	42,544	(2,468)	6,762
Balances at year end				
Tax recoverable	(16,736)	(4,825)	(2,468)	-
Tax payable	4,288	47,369	-	6,762
	(12,448)	42,544	(2,468)	6,762

Notes to the consolidated financial statements *(Continued)*

10. Earnings per share

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

	Group	
	2014	**2013 Restated**
Profit for the year (Shs '000)	350,929	444,811
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	5.85	7.41

There were no potentially dilutive ordinary shares outstanding at 30 September 2014 and at 30 September 2013. Diluted earnings per share are therefore the same as basic earnings per share.

11 Dividends

The directors have not yet made a recommendation regarding the payment of a dividend in respect of the year ended 30 September 2014. (2013: Shs Nil).

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment

(a) Group

Cost

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Computer Software Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2012	208,186	246,512	888,765	-	6,065	1,349,528
Additions	-	2,963	104,828	440	24,951	133,182
Re-allocations	-	6,127	(6,127)	-	-	-
Transfers	-	14,880	8,002	-	(22,882)	-
Disposals	-	-	(26,244)	-	-	(26,244)
Assets written off	-	-	(12,900)	-	-	(12,900)
Translation adjustment	(149)	(230)	(1,562)	-	-	(1,941)
At 30 September 2013	208,037	270,252	954,762	440	8,134	1,441,625
At 1 October 2013	208,037	270,252	954,762	440	8,134	1,441,625
Additions	-	5,607	90,675	1,097	32,404	129,783
Transfers	-	21,502	6,016	-	(27,518)	-
Disposals	-	-	(23,403)	-	-	(23,403)
Assets written off	-	-	(9,866)	-	-	(9,866)
Translation adjustment	(278)	(754)	(4,177)	-	24	(5,185)
At 30 September 2014	207,759	296,607	1,014,007	1,537	13,044	1,532,954

Notes to the consolidated financial statements *(Continued)*

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

(a) Group

Depreciation

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Computer Software Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2012	6,989	26,165	509,930	-	-	543,084
Charge for the year	2,465	5,032	94,464	53	-	102,014
Re-allocation	-	567	(567)	-	-	-
Eliminated on disposals	-	-	(23,611)	-	-	(23,611)
Eliminated on write offs	-	-	(12,900)	-	-	(12,900)
Translation adjustment	(2)	(12)	(712)	-	-	(726)
At 30 September 2013	9,452	31,752	566,604	53	-	607,861
At 1 October 2013	9,452	31,752	566,604	53	-	607,861
Charge for the year	2,462	5,508	103,405	179	-	111,554
Eliminated on disposals	-	-	(21,893)	-	-	(21,893)
Eliminated on write offs	-	-	(9,866)	-	-	(9,866)
Translation adjustment	(18)	(59)	(2,073)	-	-	(2,150)
At 30 September 2014	11,896	37,201	636,177	232	-	685,506
Net book amount						
At 30 September 2014	195,863	259,406	377,830	1,305	13,044	847,448
At 30 September 2013	198,585	238,500	388,158	387	8,134	833,764

Included in property, plant and equipment are assets with an original cost of Shs 297,005,000(2013: Shs 281,841,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 49,338,000 (2013: Shs 46,724,000).

During the year, management carried out a review of the working condition of the group's plant and machinery. This review led to the write-off of assets whose total cost was Shs 9,866,000 (2013: 12,900,000) and had a carrying value of Shs nil (2013: nil).

Based on an impairment review performed by the directors at 30 September 2014, no further indications of impairment of property, plant and equipment were identified. (2013: none).

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

The remaining periods for the land titles in Tanzania range from 36 years to 49 years.

Notes to the consolidated financial statements *(Continued)*

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

(b) Company

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Work in progress Shs'000	Total Shs'000
Cost						
At 1 October 2012	62,557	44,461	201,197	-	4,027	312,242
Transfers	-	6,541	3,416	-	(9,957)	-
Additions	-	1,128	17,860	440	13,611	33,039
Disposals	-	-	(10,080)	-	-	(10,080)
Assets written off	-	-	(4,692)	-	-	(4,692)
At 30 September 2013	62,557	52,130	207,701	440	7,681	330,509
At October 2013	62,557	52,130	207,701	440	7,681	330,509
Transfers	-	25,110	138	-	(25,248)	-
Additions	-	-	29,767	1,097	19,004	49,868
Disposals	-	-	(5,191)	-	-	(5,191)
Assets written off	-	-	(4,704)	-	-	(4,704)
At 30 September 2014	62,557	77,240	227,711	1,537	1,437	370,482

Notes to the consolidated financial statements *(Continued)*

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

(b) Company

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Work in progress Shs'000	Total Shs'000
Depreciation						
At 1 October 2012	1,603	9,495	133,251	-	-	144,349
Charge for the year	632	927	18,817	53	-	20,429
Eliminated on disposals	-	-	(9,904)	-	-	(9,904)
Eliminated on write off	-	-	(4,692)	-	-	(4,692)
At 30 September 2013	2,235	10,422	137,472	53	-	150,182
At 1 October 2013	2,235	10,422	137,472	53	-	150,182
Charge for the year	632	1,194	20,333	179	-	22,338
Eliminated on disposals	-	-	(5,170)	-	-	(5,170)
Eliminated on write off	-	-	(4,704)	-	-	(4,704)
At 30 September 2014	2,867	11,616	147,931	232	-	162,646
Net book amount						
At 30 September 2014	59,690	65,624	79,780	1,305	1,437	207,836
At 30 September 2013	60,322	41,708	70,229	387	7,681	180,327

Included in property, plant and equipment are assets with an original cost of shs 88,528,000 (2013:shs 78,937,000) which are fully depreciated and whose normal depreciation charge for the year would have been shs 16,606,000 (2013:shs 14,772,000)

During the year management carried out a review of the working condition of the company's plant and machinery. This review led to the write-off of assets whose total cost was shs 4,704,000 (2013: shs 4,692,000) and had a carrying value of shs nil (2013: shs nil).

Based on an impairment review performed by the directors as at 30 September 2014, no indications of further impairment of property, plant and equipment were identified. (2013: none).

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

Notes to the consolidated financial statements *(Continued)*

13. Biological assets

(a) Group	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
At 1 October 2012			
Mature crops	460,089	1,551	461,640
Immature crops	191,556	2,881	194,437
	651,645	4,432	656,077
Loss arising from changes in fair value attributable to physical changes	(205,173)	(4,391)	(209,564)
Gain arising from changes in fair value attributable to price changes	322,776	-	322,776
Gain arising from changes in fair value attributable to changes in exchange and discount rates	114,942	-	114,942
Net fair value gain/(loss)	232,545	(4,391)	228,154
Translation adjustment	(1,212)	-	(1,212)
	882,978	41	883,019
At 30 September 2013			
Mature crops	673,723	41	673,764
Immature crops	209,255	-	209,255
	882,978	41	883,019

Notes to the consolidated financial statements *(Continued)*

13. Biological assets (Continued)

(a) Group	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
At 1 October 2013			
Mature crops	673,723	41	673,764
Immature crops	209,255	-	209,255
	882,978	41	883,019
(Loss)/gain arising from changes in fair value attributable to physical changes	(152,035)	2,642	(149,393)
Gain arising from changes in fair value attributable to price changes	211,310	-	211,310
Gain arising from changes in fair value attributable to changes in exchange and discount rates	10,183	-	10,183
Net fair value gain	69,458	2,642	72,100
Translation adjustment	(3,285)	-	(3,285)
	949,151	2,683	951,834
At 30 September 2014			
Mature crops	737,010	2,683	739,693
Immature crops	212,141	-	212,141
	949,151	2,683	951,834

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

(b) Company

Sisal plants and nurseries

	2014 Shs'000	2013 Shs'000
Carrying amount at start of year : Immature sisal	54,669	44,216
Mature sisal	74,408	17,678
	129,077	61,894
Loss arising from changes in fair value attributable to physical changes	(45,120)	(1,609)
Gain arising from changes in fair value attributable to price changes of sisal fibre	40,689	54,883
(Loss)/gain arising from changes in fair value attributable to changes in exchange and discount rates	(4,423)	13,909
Net fair value (loss)/gain	(8,854)	67,183
Carrying amount at end of year: Immature sisal	50,908	54,669
Mature sisal	69,315	74,408
	120,223	129,077

Biological assets are stated at fair value less estimated selling costs.

Horticultural crops at the year end comprised of baby corn, chillies, and asparagus. Baby corn is harvested after a period of approximately 12 to 14 weeks. Chillis have varied harvesting cycles depending on variety. The maximum lifespan of the plant is approximately 2 years. Asparagus takes approximately 2 years to reach maturity and has a productive life of approximately 10 years.

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

- 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 costs of production used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors. An assumed annual rate of inflation of 7.5% (2013:7.5%) has been incorporated for future periods beyond the initial budget period of one year where applicable.
- Current market prices are used to determine the fair value of horticultural crops.
- A discount rate of 15.0% per annum (2013: 15.0%) is applied to the anticipated net cash flows arising from the asset.

Significant assumptions made in determining the fair value of sisal 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.
- A discount rate of 17.5% per annum (2013: 17.5%) is applied to the anticipated net cash flows arising from the asset.
- The costs of production and point of sale costs used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors. Assumed annual rates of inflation of 9% for Kenya and 10% for Tanzania respectively (2013: 11% for both countries) have been incorporated for future periods beyond the initial budget period of one year.
- Based on the biological transformation which sisal plants undergo, 42% of plant fair value is assigned to the regeneration of sisal leaf.

  Costs incurred on new plantations of crops in the year approximate to their fair value.

Notes to the consolidated financial statements *(Continued)*

14. Investment properties

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

	Group	
	2014	**2013**
	Shs'000	**Shs'000**
Cost		
At the beginning and end of the year	4,838	4,838
Depreciation		
At the beginning of the year	274	219
Charge for the year	55	55
At end of year	329	274
Carrying value at the end of year	4,509	4,564
Fair value	28,000	29,900

The fair values of investment properties at 30 September 2014 are based on valuations made by Ryden International, Registered Valuers during the course of the year. In the opinion of the directors, these valuations were still relevant at the end of the reporting period. Fair values of investment properties at 30 September 2013 were based on recent transfers of similar properties.

Notes to the consolidated financial statements *(Continued)*

15. Fair value hierarchy

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

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2014			
Biological assets	-	-	951,834
Investment properties	-	28,000	-
30 September 2013			
Biological assets	-	-	833,019
Investment properties	-	29,900	-

Company

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2014			
Biological assets	-	-	120,223
30 September 2013			
Biological assets	-	-	129,077

Biological assets are assessed using the discounted cash flow method. The assumptions used are disclosed in Note 13.

Investment properties were valued by Ryden International Registered Valuers using the market approach.

Notes to the consolidated financial statements *(Continued)*

16. Investment in subsidiaries

Investment in subsidiaries	**Company**	
	2014 Shs'000	**2013 Shs'000**
Shares in subsidiaries at cost	504,074	504,074
Long term receivable from subsidiary	66,666	67,348
	570,740	571,422

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

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

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

17. Investment in unquoted shares – at cost

Group	
2014 Shs'000	**2013 Shs'000**
9,151	9,151

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

Notes to the consolidated financial statements *(Continued)*

18. Inventories

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre at fair value less estimated cost of sale	274,710	199,072	59,288	49,521
Horticultural produce at fair value less estimated cost of sale	825	-	-	-
Finished goods at lower of cost or net realisable value less provision	21,383	37,013	-	-
Stores and raw materials at lower of cost or net realisable value less provision	196,954	206,932	25,397	25,313
	493,872	443,017	84,685	74,834

19. Receivables and prepayments

Trade receivables	29,708	17,568	150	1,046
Prepayments	32,455	24,926	7,763	3,994
Amount due from a related party (Note 29 (iv) & (v))	298,047	195,854	103,648	63,420
Amounts due from group companies (Note 29 (v))	-	-	7,371	117,827
VAT recoverable	144,528	98,601	44,918	30,133
Other receivables	31,456	22,373	704	1,167
	536,194	359,322	164,554	217,587

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

Notes to the consolidated financial statements *(Continued)*

20. Cash and cash equivalents

Cash and cash equivalents	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Cash in hand	14,466	12,745	1,911	3,794
Cash at bank				
Current accounts	50,534	83,931	5,612	22,936
Call deposit account	-	56,388	-	56,388
Term deposits	176,516	80,659	176,516	30,152
Total cash at bank	227,050	220,978	182,128	109,476
Total cash and cash equivalents	241,516	233,723	184,039	113,270

The effective average rates on the bank deposits at the year end were:

	2014	2013	2014	2013
Call deposit	-	8%	-	8%
Term deposit	10.05%	9.75%	10.05%	9.75%

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

21. Share capital

Authorised, issued and fully paid	Number of shares (Thousands)	Ordinary shares Shs'000	Share Premium Shs'000
Balance at 1 October 2012, 1 October 2013 and 30 September 2014	60,000	300,000	84,496

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

Notes to the consolidated financial statements *(Continued)*

22. Borrowings

	Group 2014 Shs'000	2013 Shs'000
Total borrowings	29,607	58,338
Less: current portion	(29,607)	(29,603)
Non-current portion	-	28,735

The borrowings are made up as follows:

	Group 2014 Shs'000	2013 Shs'000
Non-current		
Bank loans	-	28,735
Current		
Bank loans	29,607	29,603
	29,607	29,603
Total borrowings	29,607	58,338

All of the above borrowings were denominated in United States dollars.

	Group 2014	2013
Weighted average effective rates at the year end were:		
-bank loans – US$	6.47%	6.4%

	Group 2014 Shs'000	2013 Shs'000
Maturity of non-current loans		
Between 1 and 2 years	-	26,939
Between 2 and 5 years	-	1,746
	-	28,735

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% (2013: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
		Restated		Restated
At start of year	324,094	244,823	29,188	7,495
Tax charge recognised in profit or loss (Note 9 (a))	21,794	73,952	8,646	18,204
Tax charge recognised in other comprehensive income (Note 9(b))	8,105	5,791	5,312	3,489
Translation adjustment	(1,380)	(472)	-	-
At end of year	352,613	324,094	43,146	29,188

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

	Group		Company	
	2014	2013	2014	2013
		Restated		Restated
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax assets	(3,681)	(3,020)	-	-
Deferred tax liabilities	356,294	327,114	43,146	29,188
	352,613	324,094	43,146	29,188

Notes to the consolidated financial statements *(Continued)*

23. Deferred tax *(Continued)*

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

Group

	1.10.2013	Charged/ (credited) to profit or loss	Charged to other comprehensive income	Translation adjustment	30.9.2014
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
	Restated				
Deferred tax liabilities					
Accelerated tax depreciation	101,762	5,106	-	(517)	106,351
Biological assets	264,907	21,629	-	(986)	285,550
Acquisition of subsidiary	7,676	-	-	-	7,676
Post employment benefit asset	17,881	3,470	8,105	-	29,456
	392,226	30,205	8,105	(1,503)	429,033
Deferred tax assets					
Provisions	(68,132)	(8,411)	-	123	(76,420)
Net deferred tax liability	324,094	21,794	8,105	(1,380)	352,613

In addition to the above, there is a further deferred income tax asset mainly attributable to tax losses carried forward amounting to Shs 1,095,000 (2013: Shs 1,600,000) relating to a subsidiary company which has not been recognised in the financial statements because, in the view of the directors, it is not certain that sufficient taxable profits will be generated in the foreseeable future against which the tax losses can be utilised.

Company

	1.10.2013	Charged / (credited) to profit or loss	Charged to other comprehensive income	30.09.2014
	Restated Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	14,863	7,968	-	22,831
Biological assets	38,724	(2,656)	-	36,068
Post employment benefit asset	10,859	2,159	5,312	18,330
	64,446	7,471	5,312	77,229
Deferred tax assets				
Provisions	(35,258)	1,175	-	(34,083)
Net deferred tax liability	29,188	8,646	5,312	43,146

Notes to the consolidated financial statements *(Continued)*

24. Post employment benefit obligations/(asset)

	Group		Company	
	2014 Shs'000	2013 Shs'000 Restated	2014 Shs'000	2013 Shs'000 Restated
Post employment benefit obligations/(asset) comprise:				
(a) Staff retirement gratuity	164,813	135,837	71,330	67,120
(b) Defined benefit retirement scheme	(98,190)	(59,606)	(61,101)	(36,198)

(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	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
At start of year	135,837	105,427	67,120	51,519
Charged to profit or loss	45,060	40,828	13,910	20,780
Utilised during year	(15,933)	(10,321)	(9,700)	(5,179)
Translation adjustment	(151)	(97)	-	-
At end of year	164,813	135,837	71,330	67,120

(b) Defined benefit retirement scheme

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

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

	Group		Company	
	2014 Shs'000	2013 Shs'000 Restated	2014 Shs'000	2013 Shs'000 Restated
Present value of funded obligations	161,677	144,689	100,609	87,868
Fair value of scheme assets	(259,867)	(204,295)	(161,710)	(124,064)
Net asset at the end of the reporting period	(98,190)	(59,606)	(61,101)	(36,198)

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

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

	Group	
	2014 Shs'000	**2013 Shs'000 Restated**
Opening defined benefit asset	(59,606)	(33,070)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	3,158	3,492
Interest on obligation	19,110	15,950
Interest income on plan assets	(27,092)	(20,103)
Net credit for the year included in staff costs (Note 7)	(4,824)	(661)
Employer's contributions	(6,742)	(6,570)
Amount recognised in other comprehensive income	(27,018)	(19,305)
Defined benefit asset at the end of the reporting period	(98,190)	(59,606)
Reconciliation of benefit obligation		
Opening benefit obligation	144,689	130,652
Current service cost	3,158	3,492
Interest cost	19,110	15,950
Employee contributions	3,037	2,637
Actuarial gain – change of assumptions	(2,249)	(6,405)
Actuarial gain - experience	(4,501)	(41)
Benefits paid	(1,567)	(1,596)
Closing benefit obligation	161,677	144,689
Reconciliation of assets		
Opening market value of assets	(204,295)	(163,722)
Interest income on plan assets	(27,092)	(20,103)
Employer contributions	(6,742)	(6,570)
Employee contributions	(3,037)	(2,637)
Return on plan assets	(20,268)	(12,859)
Benefits paid	1,567	1,596
Closing market value of assets	(259,867)	(204,295)

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

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

	2014	2013
- discount rate	13.5%	13.0%
- future salary increases	10.0%	10.0%
- future pension increases	0%	0%

Other disclosures

Characteristics and Risks of the Scheme:

The Scheme is of a defined benefit nature (i.e. salary and service related). Therefore one of the main risks relating to the benefits under the Scheme is the rate of salary growth. As the benefits are based on the final salary, any changes in salary that differ from the salary escalation rate assumed will have a direct bearing on the benefits paid and the present value of the benefit obligation under the scheme. The Company's experience with respect to pre-retirement exit experience, actual ages of retirement and mortality will also impact the benefits payable under the Scheme, when compared with the assumption made.

Sensitivity of the Results:

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

	Current Discount Rate (13.5%)	Discount Rate – 1% (12.5%)
Present Value of obligation	K Sh 161.7m	K Shs 166.5m

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

Effect on Company Cashflows:

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

Maturity Analysis of the Liability:

The weighted average duration of the liability as at 30 September 2014 is 2.9.

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

Scheme assets

The scheme assets are managed by ICEA Lion Asset Management Limited. The composition of the assets at 30 September 2014 was as follows:

	Shs'000	%
Government securities	98,066	37.7
Quoted equities	101,638	39.1
Commercial paper and corporate bonds	29,561	11.4
Fixed deposits	27,001	10.4
Cash and contributions due	3,601	1.4
	259,867	100.0

Other post employment benefit obligations

The group also contributes to a defined contribution retirement benefit scheme for certain non-unionisable employees. The group contributed Shs 2,455,000 to this scheme during the year (2013: Shs 1,871,000) 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 2014, the group contributed Shs 34,857,000 (2013:Shs 32,573,000) which has been charged to profit or loss.

25. Payables and accrued expenses

Payables and accrued expenses	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Trade payables	79,695	55,475	19,971	11,122
Amount due to a related party (Note 29 (iv) & (v))	11,017	9,351	2,598	1,248
Amounts due to group companies (Note 29 (v))	-	-	376,712	376,992
Provision for leave pay	28,143	31,604	13,281	16,098
Accrued expenses	25,637	34,298	9,894	13,960
Other payables	19,664	12,963	7,418	4,313
	164,156	143,691	429,874	423,733

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

Notes to the consolidated financial statements *(Continued)*

26. Contingent liabilities

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.

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

27. Commitments

Capital commitments

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

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Authorised and contracted for	27,350	23,395	-	12,981

Operating lease commitments

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

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	4,401	4,627	3,592	3,845
Between 2 and 5 years	-	3,592	-	3,592
Over 5 years	-	-	-	-
	4,401	8,219	3,592	7,437

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

Notes to the consolidated financial statements *(Continued)*

28. Note to the consolidated statement of cash flows

	Group	
	2014	2013
	Shs'000	Shs'000
		Restated
Reconciliation of profit before tax to net cash generated from operations:		
Profit before tax	530,803	651,342
Adjustments for:		
Defined benefit retirement scheme credit recognised in profit for the year (Note 24(b))	(4,824)	(661)
Employer's contributions to defined benefit retirement scheme (Note 24(b))	(6,742)	(6,570)
Finance costs recognised in the profit for the year	3,190	7,686
Interest income recognised in the profit for the year	(17,883)	(2,608)
Depreciation of property, plant and equipment (Note 12)	111,554	102,014
Depreciation of investment property (Note 14)	55	55
Fair value adjustment of biological assets (Note 13)	(72,100)	(228,154)
Profit on sale of property, plant and equipment	(6,510)	(9,878)
Operating profit before working capital changes	537,543	513,226
Working capital changes:		
- receivables and prepayments	(177,478)	5,837
- inventories	(53,433)	16,583
- payables and accrued expenses	20,858	(11,405)
- post employment benefit obligations	29,127	30,507
Net cash generated from operations	356,617	554,748

Notes to the consolidated financial statements *(Continued)*

29. Related party transactions

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

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

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

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.

Mr. Stephen Waruhiu is a director of Lloyd Masika Limited. The fees paid to that company in respect of valuation services were calculated at standard charging rates.

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

	Group	
	2014 Shs'000	2013 Shs'000
(i) Sales of goods and services		
Wigglesworth & Company Limited – UK		
Sale of sisal fibre and yarns	2,220,028	2,105,842
Sale of brushing machine	-	599
	2,220,028	2,106,441
(ii) Purchase of management and legal services		
Kaplan & Stratton	2,865	120
REA Trading Limited	3,458	3,498
Lloyd Masika Limited	-	50
	6,323	3,668
(iii) Key management compensation		
Remuneration paid to directors and key management staff was as follows:		
Salaries and other short term benefits	109,585	100,190
Post employment benefits	1,175	1,126
	110,760	101,316

Notes to the consolidated financial statements *(Continued)*

29. Related party transactions *(Continued)*

(iv) Outstanding balances

	Group 2014 Shs'000	Group 2013 Shs'000
Current receivables (Note 19)		
Wigglesworth & Company Limited – UK	298,047	195,854
Current payables		
Wigglesworth & Company Limited – UK (Note 25)	11,017	9,351

(v) Outstanding balances

	Company 2014 Shs'000	Company 2013 Shs'000
Current receivables (Note 19)		
Amounts due from group companies		
Dwa Estate Limited	-	114,601
Amboni Plantations Limited	4,059	-
Amboni Spinning Mill Limited	2,038	-
Wigglesworth Exporters Limited	1,274	3,226
	7,371	117,827
Amount due from a related party		
Wigglesworth & Company Limited – UK	103,648	63,420
Current payables (Note 25)		
Amounts due to group companies		
Vipingo Estate Limited	374,533	376,354
Amboni Plantations Limited	-	638
Dwa Estate Limited	2,179	-
	376,712	376,992
Amount due to a related party		
Wigglesworth & Company Limited – UK	2,598	1,248

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

Proxy Form

I/We ____

of ____

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

or failing him Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 28th April 2015 and at any adjournment thereof.

Signature ______________________________ Date ______________ 2015

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

* Strike out whichever is not desired.

Notes:

1. To be valid this proxy must be returned to The Secretary, Rea Vipingo Plantations Limited, 1st Floor, Block D, Wilson Business Park, Wilson Airport, P.O. Box 17648, Nairobi – 00500 so as to arrive no later than 10.00 a.m. on Monday 27th April 2015 .

2. In the case of a corporation this proxy must be under its common seal or under the hand of an officer duly authorised in writing.

First Fold

Second Fold

The Secretary
REA Vipingo Plantation Limited
P.O.Box 17648-00500
Nairobi,
Kenya

Third Fold and tuck in edge

First Fold