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Company information

Directors

The directors of the company are as follows:

Oliver Fowler

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

Stephen Waruhiu

Independent non-executive, 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, 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 a non-executive director of Rift Valley Railways Limited and Grain Bulk Handlers 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 twenty first annual general meeting of the company will be held at Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Wednesday 23 March 2016, 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 2015.

3. To confirm the recommendation of the directors that no dividend be paid in respect of the year ended 30th September 2015.

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

   Richard Robinow will retire in rotation in accordance with Article 82 A of the company's Articles of Association. Richard Robinow has attained the age of 70 years. In accordance with Section 186 (5) of the Companies Act, SPECIAL NOTICE is hereby given of the intention to propose the following resolution for the consideration of the members as an Ordinary Resolution of the company:

   "That Richard Robinow, who has attained the age of 70 years, be and is hereby re-elected as a director of the company".

5. To approve the directors' remuneration for the year ending 30 September 2016.

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

22 January 2016

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.

Following the acquisition by R.E.A. Trading Limited of additional shares taking their interest to around 95%, the company was delisted from the Nairobi Securities Exchange with effect from 17 September 2015. Consequently, the company is no longer obliged to comply with the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya issued by the Capital Markets Authority and the Nairobi Securities Exchange Continuing Listing Requirements. However, the directors recognise their responsibility towards all shareholders and intend to comply with those Corporate Governance practices and guidelines which are considered appropriate. In particular, the directors continue to devolve various responsibilities to committees of the board, the composition and duties of which are detailed below.

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.

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

Corporate governance *(Continued)*

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.

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.

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.

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 2015 were as follows:

Name of director	**Number of ordinary shares**	
	2015	2014
Oliver Fowler	Nil	58,929
Neil Cuthbert	Nil	2,259,992
Richard Robinow	Nil	26,786

In addition, companies controlled by the Robinow family and their subsidiary and associated companies own 56,663,810 shares in the company (2014: 34,226,854 shares).

Corporate governance *(Continued)*

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

Name	No of Shares	Percentage
REA Trading Limited	56,663,810	94.44%
Aly-Khan Satchu	250,000	0.42%
Jaswant Singh Rai	107,143	0.18%
Vishnuvaden Bhatt	53,571	0.09%
M.A. Bayusuf & Sons Limited	48,214	0.07%
Chandarikaben Ratilal Gudhka & Ratilal Dhanji Gudhka	39,900	0.06%
Raki Commodity Limited	35,714	0.06%
Ramaben Samantrai Patel	35,000	0.06%
Devshi Premji Hirani	33,552	0.05%
Sarwan Singh Sokhi	33,500	0.05%
	57,300,404	95.50%
2,785 other shareholders	2,699,596	4.50%
	60,000,000	100.00%

Distribution schedule

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
1-500	1,461	207,923	0.35%
501-5,000	1,252	1,775,423	2.96%
5,001-10,000	45	332,703	0.55%
10,001-100,000	34	662,948	1.10%
100,001-1,000,000	2	357,143	0.60%
Above 1,000,000	1	56,663,810	94.44%
	2,795	60,000,000	100.00%

Shareholder profile

Local individual shareholders	2,552	2,886,797	4.81%
Local institutional shareholders	210	398,021	0.66%
Foreign individual shareholders	30	51,186	0.09%
Foreign institutional shareholders	3	56,663,996	94.44%
	2,795	60,000,000	100.00%

Chairman's statement

The company has had a very satisfactory year as a result of a combination of good volumes produced, high sisal fibre prices and weaker local currencies. The group profit for the year before tax, and before accounting for gains arising from the valuation of biological assets, increased by shs 919 million over the previous period to shs 1,379 million.

Group turnover increased by shs 868 million to shs 3.57 billion for the year.

Overall fibre volumes were 3.3% higher than the previous year at 19,796 tonnes with Dwa Estate in particular having a very productive year. Operating costs were well under control helped to some degree by lower fuel and power costs.

The Tanzanian estates continued to face operational challenges with labour availability and irregular and erratic power supplies but overall operated more consistently.

The Tanga spinning mill produced and sold similar amounts of yarn and rope compared to the previous year and continued to consolidate its position in the regional markets. Although prices for sisal fibre feedstock did increase during the year, costs were otherwise contained and the mill provided a satisfactory contribution.

The Dwa horticulture division produced good volumes of baby corn but other smaller horticultural crops declined. The division is progressively establishing itself as a supplier of seed.

During the year both the Kenya and Tanzania shillings weakened materially against the United States dollar, the currency in which the majority of the group's produce is sold, resulting in substantially better shilling inflows than were budgeted.

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 reflect strong demand in key markets where the group is well positioned as well as, to some extent, a reduction in volumes of fibre available from Brazil following several years of severe drought.

The economic uncertainties in a number of regions in the world, including China, the world's second largest economy, have generally led to lower commodity prices. Whilst sisal has not so far followed this trend, shareholders should be aware that the economic and political factors influencing the prices of other commodities could have an impact on fibre prices.

The group is well advanced in planning for the development of a 1.44 MW biomass energy generation plant at Dwa Estate that will, once operational, make the estate self-sufficient in power and provide some income from the sale of surplus to the national grid.

Shareholders will be aware that the offer from REA Trading Limited to buy out the minority shareholders was successfully completed during 2015 and the company subsequently delisted from the Nairobi Securities Exchange in September 2015. The sale of the company's

Chairman's statement *(Continued)*

subsidiary, Vipingo Estate Limited, and the agricultural land at Vipingo to Centum Investment Company Limited that shareholders approved at an Extraordinary Meeting in April last year is now largely complete. The company has leased the Vipingo land back and continues to operate the estate normally.

The current year has started well in that there have been generally good rains on all of the group estates with the result that volumes and fibre quality are good and exchange rates remain at attractive levels for exporters such as the group.

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
22 January 2016

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2015 and crops are stated for the whole year ended on that date and referred to as the 2015 crop year.

Dwa

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

	Hectares
Mature sisal	3,672
Older sisal	101
Immature sisal	1,358
Nurseries	86
Other areas	3,640
Horticulture	100
	8,957

Overall the rains at Dwa during the year were below average but the distribution in November/December and in April was fair and the estate produced at a high level throughout the period. Total baled fibre production was 7,254 tonnes (6,891 tonnes in 2014).

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 2015, some 450 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 around 7,200 tonnes per annum.

The rains during November/December 2015 have been good and are extending into January and so the estate will have a satisfactory start to the 2016 year.

Horticulture

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

In addition to baby corn, chilli is also produced at Dwa but in relatively low volumes. During the year we also successfully produced seed for sale to a major international seed supplier.

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	2,251
Older sisal	279
Immature sisal	866
Nurseries	83
Other areas	800
	4,279

Rainfall at Vipingo was fair during the year and, as a result, the estate enjoyed a satisfactory leaf position throughout the year. A total of 4,864 tonnes (2014 – 4,854 tonnes) of fibre was baled during the year. The good quality leaf that was available enabled the estate to also produce a satisfactory grade mix.

The annual replant at Vipingo is carried out, in the main, prior to the April rains and during 2015 some 282 ha was planted.

The November 2015 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 4,800 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	3,773
Older sisal	1,689
Immature sisal	1,652
Nurseries	95
Other areas	7,627
	14,836

The Tanzanian estates had a good rainfall distribution during the financial year 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 7,678 tonnes (2014 – 7,371 tonnes).

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

Review of operations *(Continued)*

Amboni Plantations Limited *(Continued)*

The nomadic nature of a significant portion of the workforce in Tanzania continues to pose a serious challenge to management. However, since mid 2014, labour numbers have to some extent stabilised and, if this can be sustained, should result in volumes remaining stable.

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

Replanting in Tanzania is largely carried out prior to the April rains and in 2015 a total area of 642 ha was planted.

Amboni Spinning Mill Limited

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

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 2,462 tonnes (2014 – 2,400 tonnes).

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

Marketing

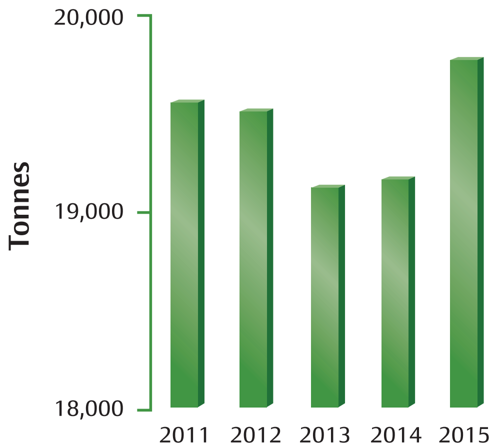
Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Company Limited, and this arrangement continued through the year to 30 September 2015. Wigglesworth & Company Limited, which is 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)*

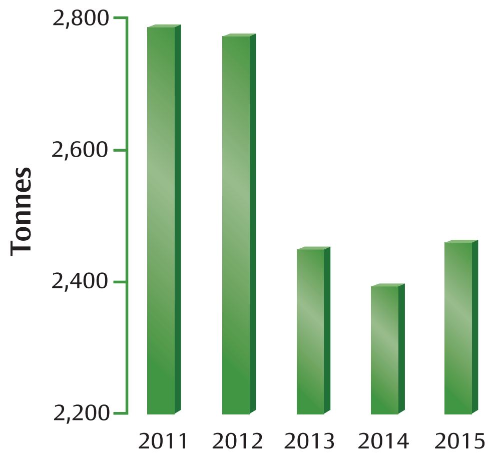
Group statistical information

Total sisal fibre production was 19,796 tonnes (2014: 19,171 tonnes) and spun product production was 2,462 tonnes (2014: 2,400 tonnes). The average price of sisal fibre increased by approximately $276 per tonne.

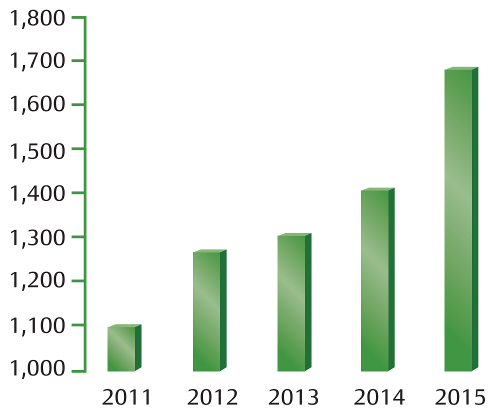
Fibre Production



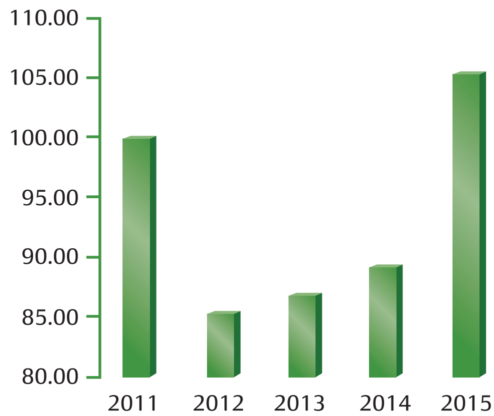
Yarn and twine production



Average fibre price per tonne (US$)



Exchange rate at 30 September Kenya Shilling to US$



Report of the directors

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2015 which disclose the state of affairs of the group and the company.

Incorporation and registered office

The company is incorporated in Kenya under the Kenyan Companies Act 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 1,467,423,000 (2014: Shs 350,929,000) 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 2015. (2014: 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
22 January 2016

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 Director O M Fowler Director

22 January 2016

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 2015, 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 2015 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 Iqbal Karim – P/No 1895.

Certified Public Accountants (Kenya)
Nairobi, Kenya
22 January 2016

Consolidated statement of profit or loss and other comprehensive income

	Notes	2015 Shs'000	2014 Shs'000
Continuing operations			
Revenue	5	3,568,118	2,700,547
Net gain arising from changes in fair value of biological assets	13	738,485	72,100
Cost of sales		(1,572,121)	(1,482,238)
Gross profit		2,734,482	1,290,409
Interest income		54,995	17,883
Other operating income		47,571	16,636
Foreign exchange gains – net		122,206	879
Distribution costs		(104,138)	(93,997)
Administrative expenses		(733,051)	(692,582)
Other operating expenses		(4,251)	(3,876)
Finance costs	8	(428)	(3,190)
Profit before tax	6	2,117,386	532,162
Tax charge	9(a)	(649,672)	(179,874)
		1,467,714	352,288
Discontinued operations			
Loss for the year from discontinued operations	21 (a)	(1,033)	(1,359)
Profit for the year		1,466,681	350,929
Comprising:			
Profit arising from continuing and discontinued operating activities		949,742	300,459
Profit arising from changes in fair value of biological assets		516,939	50,470
		1,466,681	350,929
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	25 (b)	(83,752)	27,018
Deferred tax credit/(charge) attributable to remeasurement of defined benefit asset	9 (b)	25,126	(8,105)
Remeasurement of defined benefit asset net of tax		(58,626)	18,913
Item that may be reclassified subsequently to profit or loss			
Foreign exchange adjustment on translation of foreign subsidiaries		(87,034)	(7,531)
Other comprehensive (loss)/ income for the year		(145,660)	11,382
Total comprehensive income for the year		1,321,021	362,311
Earnings per share from continuing and discontinued operations– basic and diluted	10	Shs 24.44	Shs 5.85

Consolidated statement of financial position

As at 30 September 2015

	Notes	2015 Shs'000	2014 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12(a)	851,746	847,448
Biological assets	13(a)	1,645,950	951,834
Investment properties	14	4,455	4,509
Investment in unquoted shares	17	9,151	9,151
Deferred tax assets	24	4,988	3,681
Post employment benefit asset	25(b)	31,681	98,190
		2,547,971	1,914,813
Current assets			
Inventories	18	570,044	493,872
Receivables and prepayments	19	501,407	536,194
Tax recoverable	9(c)	-	16,736
Cash and cash equivalents	20	1,177,151	241,516
Assets held for sale	21(b)	84,645	-
		2,333,247	1,288,318
Total assets		4,881,218	3,203,131
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Translation deficit		(212,409)	(125,375)
Retained earnings		3,632,907	2,224,852
Shareholders' funds		3,804,994	2,483,973
Non-current liabilities			
Deferred tax liabilities	24	544,953	356,294
Post employment benefit obligations	25(a)	186,599	164,813
		731,552	521,107
Current liabilities			
Payables and accrued expenses	26	172,050	164,156
Tax payable	9(c)	171,932	4,288
Borrowings	23	-	29,607
Liabilities held for sale	21(b)	690	-
		344,672	198,051
Total equity and liabilities		4,881,218	3,203,131

The financial statements on pages 17 to 78 were approved for issue by the board of directors on 22 January 2016 and were signed on its behalf by:

N R Cuthbert Director

O M Fowler Director

Company statement of financial position

As at 30 September 2015

	Notes	2015 Shs'000	2014 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12(b)	235,128	207,836
Biological assets	13(b)	209,388	120,223
Investment properties	14	4,455	-
Investments in subsidiaries	16	195,245	570,740
Investment in unquoted shares	17	9,151	-
Post employment benefit asset	25 (b)	21,613	61,101
		674,980	959,900
Current assets			
Inventories	18	98,934	84,685
Receivables and prepayments	19	155,986	164,554
Tax recoverable	9 (c)	-	2,468
Cash and cash equivalents	20	682,198	184,039
Assets held for sale	21	429,273	-
		1,366,391	435,746
Total assets		2,041,371	1,395,646
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Retained earnings		921,252	466,800
Shareholders' funds		1,305,748	851,296
Non-current liabilities			
Post employment benefit obligations	25(a)	79,667	71,330
Deferred tax liability	24	56,766	43,146
		136,433	114,476
Current liabilities			
Payables and accrued expenses	26	532,410	429,874
Tax payable	9 (c)	66,780	-
		599,190	429,874
Total equity and liabilities		2,041,371	1,395,646

The financial statements on pages 17 to 78 were approved for issue by the board of directors on 22 January 2016 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 earning: Employee benefit reserve	Retained earning: Biological assets fair value	Retained earning: Other	Retained earning: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2014								
At start of year	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

Consolidated statement of changes in equity *(Continued)*

				Retained Earnings				
	Share capital	Share premium	Translation deficit	Employee benefit reserve	Biological assets fair value	Other	Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2015								
At start of year	300,000	84,496	(125,375)	42,360	531,599	1,650,893	2,224,852	2,483,973
Profit for the year	-	-	-	-	516,939	949,742	1,466,681	1,466,681
Other comprehensive loss for the year	-	-	(87,034)	(58,626)	-	-	(58,626)	(145,660)
Total comprehensive (loss)/income for the year	-	-	(87,034)	(58,626)	516,939	949,742	1,408,055	1,321,021
At end of year	300,000	84,496	(212,409)	(16,266)	1,048,538	2,600,635	3,632,907	3,804,994

The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.
The employee benefit reserve represents the cumulative position, after tax, of movements in the defined benefit retirement scheme asset which have been recognised in the statement of other comprehensive income.

Company statement of changes in equity

	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
Year ended 30 September 2014							
At start of year	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 year	300,000	84,496	26,595	37,017	403,188	466,800	851,296
Year ended 30 September 2015							
At start of year	300,000	84,496	26,595	37,017	403,188	466,800	851,296
Profit for the year	-	-	-	62,415	427,914	490,329	490,329
Other comprehensive loss for the year	-	-	(35,877)	-	-	(35,877)	(35,877)
At end of year	300,000	84,496	(9,282)	99,432	831,102	921,252	1,305,748

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

Consolidated statement of cash flows

	Notes	2015 Shs'000	2014 Shs'000
Cash flows from operating activities			
Net cash generated from operations	29	1,329,492	356,617
Interest received		54,995	17,883
Interest paid	8	(428)	(3,190)
Tax paid	9(c)	(237,665)	(213,143)
Net cash generated from operating activities		1,146,394	158,167
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(242,769)	(129,783)
Proceeds from disposal of property, plant and equipment		62,784	8,019
Net cash used in investing activities		(179,985)	(121,764)
Cash flows from financing activities			
Repayment of long-term borrowings		(27,497)	(28,036)
Net cash used in financing activities		(27,497)	(28,036)
Increase in cash and cash equivalents		938,912	8,367
Cash and cash equivalents at start of year		241,516	233,723
Effects of exchange rate changes		(3,186)	(574)
Cash and cash equivalents at end of year	20	1,177,242	241,516

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 2015

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.:

IAS 32	Financial instruments: Presentation
IAS 36	Impairment of assets
IAS 19R	Employee benefits
IAS 10, IFRS12 and IAS 27	Investment entities
IFRIC 21	Levies

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments have been applied retrospectively.

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)*

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2015 (Continued)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (Continued)

As the group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the group's financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible asset with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. As the group does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the group's financial statements.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the group's financial statements. The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight-line basis; whereas for contributions that are dependent on the number of years of service. Retrospective application is required.

As contributions to the defined benefit plan are not dependent on the number of years of service, this amendment has had no impact on the group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities.

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss on its consolidated and separate financial statements

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investment on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements entities.

Application of these standards has not had any impact on the disclosures or the amounts recognised in these financial statements as the group is not an investment entity (assessed based on the criteria set out in IFRS 10 and as at 1 October 2014).

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)*

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2015 (Continued)

IFRIC 21 Levies

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

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

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
IAS 27 Separate financial statements	1 January 2016
IFRS 10 Consolidated financial statements and IAS 28 Investment associates and joint ventures	1 January 2016
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018

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

- **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. 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.

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 (Continued)

- **IAS 27 Separate financial statements**

  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

  The directors anticipate no material impact to the group's financial statements.

- **IFRS 10 Consolidated financial statements and IAS 28 Investment in associates and Joint ventures**

  The amendments give guidance on the recognition of gains and losses arising on the sale or contribution of assets between its associate or joint venture.

  The directors do not anticipate that the amendments to these standards will have any significant impact to the group's financial statements.

- **IFRS 9 Financial instruments**

  This standard which has undergone various revisions, will replace IAS 39 Financial instruments: Recognition and measurement. The standard includes requirements for the recognition and measurement, impairment and derecognition 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.

- **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.

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

Non-current assets held for sale

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Consolidation *(Continued)*

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

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

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

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

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

Revenue recognition

Revenue represents the 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. Revenue relating to services is recognised upon the performance of those services and the amount of the revenue and the costs associated with the performance of those services 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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Property, plant and equipment

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Impairment

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

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

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

Accounting for leases

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

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

Taxation

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

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Taxation *(Continued)*

combination, the tax effect is included in the accounting for the business combination.

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

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 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 50% of the total surplus in conformity with the regulations of the Retirement Benefits Authority.

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Employee entitlements

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

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

Investment in subsidiaries

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

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

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Investments

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

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

Borrowings

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

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

Trade payables

Trade payables are stated at their nominal value.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, plant, equipment and intangible assets

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

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 25 (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.

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 *(Continued)*

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**	
	2015	**2014**	**2015**	**2014**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	1,647,545	745,255	832,162	340,830
Financial liabilities				
Borrowings and payables	172,740	193,763	532,410	429,874

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.

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Foreign exchange risk

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

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

	Assets		Liabilities	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
US Dollars	994,112	350,797	64,777	48,209
Sterling Pound	-	4,076	7,191	6,539
Euro	1,183	1,759	-	-
South African Rand	-	504	-	-
	995,295	357,136	71,968	54,748
Company				
US Dollars	450,698	106,881	2,230	2,598

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Foreign currency sensitivity analysis

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

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

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Impact on profit or loss:				
Euro	59 (i)	88 (i)	-	-
South African Rand	-	25(i)	-	-
US Dollar	46,467(i)	15,129 (i)	22,423 (i)	5,214 (i)
Sterling Pound	360 (ii)	123 (ii)	-	-

(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.

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Interest rate risk

The group is exposed to interest rate risk on borrowings at variable interest rates. However, the group had no interest bearing borrowings at the end of the reporting period.

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	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
	-	296	-	-

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
2015			
Bank balances	1,144,613	-	-
Trade receivables	33,718	1,951	-
Related party receivables	256,599	-	-
Others	178,036	-	-
Total	1,612,966	1,951	-
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	-

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
2015			
Cash at bank	670,940	-	
Trade receivables	179	-	-
Related party and group receivables	93,707	-	-
Others	56,078	-	-
Total	820,904	-	-
2014			
Cash at bank	182,128	-	-
Trade receivables	150	-	-
Related party and group receivables	111,019	-	-
Others	45,622	-	-
Total	338,919	-	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk (continued)

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.

Group	**Less than 1 year Shs'000**	**Between 1 and 2 years Shs'000**	**Between 2 and 5 years Shs'000**
At 30 September 2015			
Borrowings	-	-	-
Payables, accrued expenses and other liabilities	172,050	-	-
Liabilities held for sale	690	-	-
Deferred charge on borrowings	-	-	-
Total financial liabilities	172,740	-	-
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	-	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Liquidity risk (continued)

Company

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000
At 30 September 2015			
Payables, accrued expenses and other liabilities	532,410	-	-
At 30 September 2014			
Payables, accrued expenses and other liabilities	429,874	-	-

Banking facilities

Bank loans and overdrafts payable at call and reviewed annually

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Amounts utilised	-	29,606	-	-
Amounts unutilised	306,863	285,841	149,295	141,360
Total available facilities	306,863	315,447	149,295	141,360

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	
2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
4,368,435	2,627,622	2,019,758	1,334,545

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Capital risk management

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

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

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

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

5. Revenue from continuing operations

	2015 Shs'000	2014 Shs'000
Sisal fibre	2,920,502	2,136,951
Inter-segment sales	481,704	425,051
Horticulture	97,788	76,500
Forwarding services	68,124	62,045
	3,568,118	2,700,547

Notes to the consolidated financial statements *(Continued)*

6. Profit before tax (continuing operations)

		Group	
		2015	**2014**
		Shs'000	**Shs'000**
The profit before tax from continuing operations is arrived at after charging /(crediting):			
Depreciation on property, plant and equipment (Note 12)		125,108	111,554
Depreciation on investment property (Note 14)		54	55
Operating lease payments		16,176	15,770
Staff costs (Note 7)		923,891	878,123
Auditors' remuneration	- group	9,217	8,306
	- company	2,760	2,400
Directors' emoluments	- fees	2,760	2,400
	- for management services	50,041	49,707
	Total of directors' emoluments	52,801	52,107
Directors' emoluments			
Company:	- fees	2,760	2,400
	- for management services	27,102	26,085
	Total	29,862	28,485
Profit on disposal of property, plant and equipment		(57,197)	(6,510)

Profit for the year – company

The company profit for the year of Shs 490,329,000 (2014: Shs 42,990,000) has been dealt with in the separate financial statements of REA Vipingo Plantations Limited.

Notes to the consolidated financial statements *(Continued)*

7. Staff costs

	2015 Shs'000	2014 Shs'000
Salaries and wages	818,305	766,792
National Social Security Fund	36,581	34,857
Pension contributions –defined benefit retirement scheme credit (Note 25(b))	(11,065)	(4,824)
Pension contributions – defined contribution scheme	3,242	2,455
Gratuity and other terminal benefits	42,636	49,249
Medical	34,192	29,594
	923,891	878,123
Average number of permanent employees	3,718	3,652

8. Finance costs

	Group	
	2015 Shs'000	2014 Shs'000
Interest expense	428	3,190

9. Tax (continuing operations)

	2015 Shs'000	2014 Shs'000
(a) Tax recognised in profit or loss		
Current tax	420,232	158,080
Capital gains tax	1,456	-
Deferred tax charge (Note 24)	227,984	21,794
	649,672	179,874

Notes to the consolidated financial statements *(Continued)*

9. Tax (continuing operations) *(Continued)*

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	
	2015	2014
	Shs'000	Shs'000
Profit before tax	2,117,386	532,162
Less: loss for the year from discontinuing operations	(1,033)	(1,359)
Adjusted profit before tax from continuing operations	2,116,353	530,803
Tax calculated at a tax rate of 30%	634,906	159,241
Capital gains tax on transfer of property	1,456	-
Tax effect of:		
Income not subject to tax	(4,848)	(214)
Expenses not deductible for tax purposes	16,322	20,471
Under/(over) provision of deferred tax in prior year	1,282	(2,093)
Under provision of current tax in prior year	590	2,510
Deferred income tax asset/(liability) not recognised	(36)	(41)
Tax charge	649,672	179,874

(b) Tax recognised in other comprehensive income

Deferred tax (credit)/charge attributable to remeasurement of Net defined benefit asset	(25,126)	8,105

Notes to the consolidated financial statements *(Continued)*

9. Tax *(Continued)*

(c) Tax movement

	Group		Company	
	2015	**2014**	**2015**	**2014**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At beginning of year	(12,448)	42,544	(2,468)	6,762
Current year charge	420,232	158,080	88,061	12,370
Capital gains tax	1,456	-	-	-
Tax paid	(237,665)	(213,143)	(18,813)	(21,600)
Translation adjustment	(444)	71	-	-
Transfer to assets held for sale	801	-	-	-
At end of year	171,932	(12,448)	66,780	(2,468)

Balances at year end

Tax recoverable	-	(16,736)	-	(2,468)
Tax payable	171,932	4,288	66,780	-
	171,932	(12,448)	66,780	(2,468)

(d) Capital gains tax

At 30 September 2015 there was a liability for capital gains tax arising from the transfer of certain properties from a subsidiary company to the parent company. The liability has been calculated as follows:

	Shs
Market values as per an independent valuation	91,000
Original cost	61,872
Taxable gain	29,128
Capital gains tax @ 5%	1,456

Notes to the consolidated financial statements *(Continued)*

10. Earnings per share

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

	Group	
	2015	**2014**
Profit for the year from continuing and discontinued operations (Shs '000)	1,466,681	350,929
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	24.44	5.85

There were no potentially dilutive ordinary shares outstanding at 30 September 2015 and at 30 September 2014. 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 2015. (2014: Shs Nil).

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment

(a) Group

Cost

	Leasehold land	Buildings	Plant and machinery	Computer Software	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
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
At 1 October 2014	207,759	296,607	1,014,007	1,537	13,044	1,532,954
Additions	-	2,690	177,123	2,485	60,471	242,769
Transfers	-	25,169	27,945	-	(53,114)	-
Transfer to assets held for sale	(88,172)	-	-	-	-	(88,172)
Disposals	(326)	-	(37,385)	-	-	(37,711)
Assets written off	-	-	(10,109)	-	-	(10,109)
Translation adjustment	(2,280)	(7,016)	(38,950)	-	(681)	(48,927)
At 30 September 2015	116,981	317,450	1,132,631	4,022	19,720	1,590,804

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 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
At 1 October 2014	11,896	37,201	636,177	232	-	685,506
Charge for the year	1,972	5,910	116,590	636	-	125,108
Transfer to assets held for sale	(4,419)	-	-	-	-	(4,419)
Eliminated on disposals	(22)	-	(32,104)	-	-	(32,126)
Eliminated on write offs	-	-	(10,109)	-	-	(10,109)
Translation adjustment	(233)	(676)	(23,993)	-	-	(24,902)
At 30 September 2015	9,194	42,435	686,561	868	-	739,058
Net book amount						
At 30 September 2015	107,787	275,015	446,070	3,154	19,720	851,746
At 30 September 2014	195,863	259,406	377,830	1,305	13,044	847,448

Notes to the consolidated financial statements *(Continued)*

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

(a) Group

Included in property, plant and equipment are assets with an original cost of Shs 306,735,000(2014:

Shs 297,005,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 52,394,000 (2014: Shs 49,338,000).

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 10,109,000 (2014: 9,866,000) and had a carrying value of Shs nil (2014: nil).

Based on an impairment review performed by the directors at 30 September 2015, no further indications of impairment of property, plant and equipment were identified. (2014: 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 35 years to 48 years.

Notes to the consolidated financial statements *(Continued)*

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

(b) Company

	Leasehold land	Buildings	Plant and machinery	Software	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost						
At 1 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
At October 2014	62,557	77,240	227,711	1,537	1,437	370,482
Transfers	-	-	2,331	-	(2,331)	-
Transfer from subsidiary	2,236	42,749	1,289	-	-	46,274
Additions	-	-	66,901	152	1,899	68,952
Transfer to assets held for sale	(62,557)	-	-	-	-	(62,557)
Disposals	-	-	(15,666)	-	-	(15,666)
Assets written off	-	-	(137)	-	-	(137)
At 30 September 2015	2,236	119,989	282,429	1,689	1,005	407,348

Notes to the consolidated financial statements *(Continued)*

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

(b) Company

	Leasehold land	Buildings	Plant and machinery	Software	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Depreciation						
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
At 1 October 2014	2,867	11,616	147,931	232	-	162,646
Charge for the year	322	1,629	25,050	312	-	27,313
Transfers to assets held for sale	(3,183)	-	-	-	-	(3,183)
Eliminated on disposals	-	-	(14,419)	-	-	(14,419)
Eliminated on write off	-	-	(137)	-	-	(137)
At 30 September 2015	6	13,245	158,425	544	-	172,220
Net book amount						
At 30 September 2015	2,230	106,744	124,004	1,145	1,005	235,128
At 30 September 2014	59,690	65,624	79,780	1,305	1,437	207,836

Included in property, plant and equipment are assets with an original cost of shs 93,500,000 (2014:shs 88,528,000) which are fully depreciated and whose normal depreciation charge for the year would have been shs 17,499,000 (2014:shs 16,606,000)

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 137,000 (2014: shs 4,704,000) and had a carrying value of shs nil (2014: shs nil).

Based on an impairment review performed by the directors as at 30 September 2015, no indications of further impairment of property, plant and equipment were identified. (2014: none).

The company's land titles consist of two beach plots in a residential development managed by an unrelated company, Vipingo Beach Limited. These beach plots, including the developments upon them, were transferred from a subsidiary company, Vipingo Estate Limited, during the course of the year.

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 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)*

(a) Group	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
At 1 October 2014			
Mature crops	737,010	2,683	739,693
Immature crops	212,141	-	212,141
	949,151	2,683	951,834
(Loss)/gain arising from changes in fair value attributable to physical changes	(190,412)	661	(189,751)
Gain arising from changes in fair value attributable to price changes	415,121	-	415,121
Gain arising from changes in fair value attributable to changes in exchange and discount rates	513,115	-	513,115
Net fair value gain	737,824	661	738,485
Translation adjustment	(44,369)	-	(44,369)
	1,642,606	3,344	1,645,950
At 30 September 2015			
Mature crops	1,413,733	3,344	1,417,077
Immature crops	228,873	-	228,873
	1,642,606	3,344	1,645,950

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

(b) Company

Sisal plants and nurseries

	2015 Shs'000	**2014 Shs'000**
Carrying amount at start of year : Immature sisal	50,908	54,669
Mature sisal	69,315	74,408
	120,223	129,077
Loss arising from changes in fair value attributable to physical changes	(63,478)	(45,120)
Gain arising from changes in fair value attributable to price changes of sisal fibre	67,028	40,689
Gain/(loss) arising from changes in fair value attributable to changes in exchange and discount rates	85,615	(4,423)
Net fair value gain/(loss)	89,165	(8,854)
Carrying amount at end of year: Immature sisal	53,358	50,908
Mature sisal	156,030	69,315
	209,388	120,223

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

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

Horticultural crops at the year end comprised of baby corn, chillies, water melon 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. Watermelons are grown for seed and are harvested after approximately 12 weeks. 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% (2014:7.5%) 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 (2014: 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 (2014: 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 (2014: 9% for Kenya and 10% for Tanzania) 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

During the year 6 plots in a residential development managed by an unrelated company, Vipingo Beach Limited, which were held by a subsidiary company, Vipingo Estate Limited, were transferred to the company. Two plots are utilised by the company 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 and company 2015 Shs'000	Group 2014 Shs'000
Cost		
At the beginning and end of the year	4,838	4,838
Depreciation		
At the beginning of the year	329	274
Charge for the year	54	55
At end of year	383	329
Carrying value at the end of year	4,455	4,509
Fair value	28,000	28,000

The fair values of investment properties at 30 September 2015 and 30 September 2014 are based on valuations made by Ryden International, Registered Valuers in February 2014. In the opinion of the directors, these valuations were still relevant at the end of the reporting period.

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 2015			
Biological assets	-	-	1,645,950
Investment properties	-	28,000	-
30 September 2014			
Biological assets	-	-	951,834
Investment properties	-	28,000	-

Company

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2015			
Biological assets	-	-	209,388
Investment properties	-	28,000	-
30 September 2014			
Biological assets	-	-	120,223

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

	Company 2015 Shs'000	2014 Shs'000
Shares in subsidiaries at cost	504,074	504,074
Transfer to current assets classified as held for sale (Note 21)	(369,899)	-
At end of year	134,175	504,074
Long term receivable from subsidiary	61,070	66,666
	195,245	570,740

The shares in the subsidiary held for sale relate to Vipingo Estate Limited (Note 21).

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

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

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

Notes to the consolidated financial statements *(Continued)*

17. Investment in unquoted shares – at cost

	Group and company 2015 Shs'000	Group 2014 Shs'000
600 shares at cost	9,151	9,151

The group 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.

18. Inventories

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Sisal fibre at fair value less estimated cost of sale	332,145	274,710	69,603	59,288
Horticultural produce at fair value less estimated cost of sale	356	825	-	-
Finished goods at lower of cost or net realisable value less provision	19,580	21,383	-	-
Stores and raw materials at lower of cost or net realisable value less provision	217,963	196,954	29,331	25,397
	570,044	493,872	98,934	84,685

19. Receivables and prepayments

Trade receivables	35,669	29,708	179	150
Prepayments	31,104	32,455	6,022	7,763
Amount due from related parties (Note 30 (iv) & (v))	256,805	298,047	89,671	103,648
Amounts due from group companies (Note 30 (v))	-	-	4,242	7,371
VAT recoverable	153,111	144,528	55,357	44,918
Other receivables	24,718	31,456	515	704
	501,407	536,194	155,986	164,554

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Cash in hand	32,629	14,466	11,258	1,911
Cash at bank				
Current accounts	95,105	50,534	35,178	5,612
Deposit accounts – Ksh				
Call deposits	55,000	-	-	-
Term deposits	320,412	176,516	274,889	176,516
	375,412	176,516	274,889	176,516
Deposit accounts – USD	674,096	-	360,873	-
	1,049,508	176,516	635,762	176,516
Total cash at bank	1,144,613	227,050	670,940	182,128
Total cash and cash equivalents	1,177,242	241,516	682,198	184,039
Less cash transferred to held for sale	(91)	-	-	-
Net cash and cash equivalents	1,177,151	241,516	682,198	184,039

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

	2015	2014	2015	2014
Call deposit	13%	8%	-	8%
Term deposit – Ksh	13.08%	10.05%	13.17%	10.05%
- USD	3.74%	-	3.8%	-

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

Notes to the consolidated financial statements *(Continued)*

21. Discontinued operations

Prior to the year end, the company had entered into agreements to sell its agricultural land and its entire shareholding in a subsidiary company, Vipingo Estate Limited. Vipingo Estate Limited is a property holding company and owns agricultural land which is leased by REA Vipingo Plantations Limited for its agricultural activities. The agreements which were approved by shareholders at an Extraordinary General Meeting held on 28th April 2015 are subject to the obtaining of the required regulatory approvals. The proposed sale values will exceed current carrying values.

Subsequent to the proposed sales, the company will enter into lease agreements for the agricultural land with the purchaser and continue to operate its agricultural activities.

(a) Loss from discontinued operations is made up of the following:

	2015 Shs'000	2014 Shs'000
Sundry Income	-	66
Expenses		
Bank charges	(20)	(17)
Audit fees	(690)	(638)
General expenses	(1)	(20)
Legal & professional fees	(162)	(379)
VAT on group management fees	(31)	(31)
Amortisation on land	(129)	(340)
	(1,033)	(1,359)

(b) Assets and liabilities classified as held for sale

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Assets held for sale comprise:				
Land	83,753	-	59,374	-
Cash	91	-	-	-
Tax recoverable	801	-	-	-
Shares in subsidiary	-	-	369,899	-
	84,645	-	429,273	-
Liabilities held for sale comprise:				
Other payments	690	-	-	-

Notes to the consolidated financial statements *(Continued)*

22. Share capital

Authorised, issued and fully paid	Number of shares (Thousands)	Ordinary shares Shs'000	Share Premium Shs'000
Balance at 1 October 2013, 1 October 2014 and 30 September 2015	60,000	300,000	84,496

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

23. Borrowings

	Group	
	2015 Shs'000	2014 Shs'000
Total borrowings	-	29,607
Less: current portion	-	(29,607)
Non-current portion	-	-
The borrowings are made up as follows:		
Current		
Bank loans	-	29,607
	-	29,607
Total borrowings	-	29,607

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

Banking facilities are secured by first legal charges and debentures over certain immovable properties and other assets of the group.

	Group	
	2015	2014
Weighted average effective rates at the year end were:		
-bank loans – US$	-	6.47%

Notes to the consolidated financial statements *(Continued)*

24. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2014: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	352,613	324,094	43,146	29,188
Tax charge recognised in profit or loss (Note 9 (a))	227,984	21,794	28,995	8,646
Tax (credit)/charge recognised in other comprehensive income (Note 9(b))	(25,126)	8,105	(15,375)	5,312
Translation adjustment	(15,506)	(1,380)	-	-
At end of year	539,965	352,613	56,766	43,146

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

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax assets	(4,988)	(3,681)	-	-
Deferred tax liabilities	544,953	356,294	56,766	43,146
	539,965	352,613	56,766	43,146

Notes to the consolidated financial statements *(Continued)*

24. 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

	1.10.2014	Charged/ (credited) to profit or loss	Charged to other comprehensive income	Translation adjustment	30.9.2015
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities					
Accelerated tax depreciation	106,351	17,278	-	(4,139)	119,490
Biological assets	285,550	221,545	-	(13,310)	493,785
Acquisition of subsidiary	7,676	-	-	-	7,676
Post employment benefit asset	29,456	5,174	(25,126)	-	9,504
	429,033	243,997	(25,126)	(17,449)	630,455
Deferred tax assets					
Provisions	(76,420)	(16,013)	-	1,943	(90,490)
Net deferred tax liability	352,613	227,984	(25,126)	(15,506)	539,965

In addition to the above, there is a further deferred income tax asset mainly attributable to tax losses carried forward amounting to Shs 473,000 (2014: Shs 1,095,000) 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

	1.10.2014	Charged / (credited) to profit or loss	Charged to other comprehensive income	30.09.2015
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	22,831	4,656	-	27,487
Biological assets	36,068	26,749	-	62,817
Post employment benefit asset	18,330	3,529	(15,375)	6,484
	77,229	34,934	(15,375)	96,788
Deferred tax assets				
Provisions	(34,083)	(5,939)	-	(40,022)
Net deferred tax liability	43,146	28,995	(15,375)	56,766

Notes to the consolidated financial statements *(Continued)*

25. Post employment benefit obligations/(asset)

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Post employment benefit obligations/(asset) comprise:				
(a) Staff retirement gratuity	186,599	164,813	79,667	71,330
(b) Defined benefit retirement scheme	(31,681)	(98,190)	(21,613)	(61,101)

(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	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	164,813	135,837	71,330	67,120
Charged to profit or loss	39,225	45,060	17,438	13,910
Utilised during year	(14,672)	(15,933)	(9,101)	(9,700)
Translation adjustment	(2,767)	(151)	-	-
At end of year	186,599	164,813	79,667	71,330

(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 2018.

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

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Present value of funded obligations	191,073	161,677	130,344	100,609
Fair value of scheme assets	(254,437)	(259,867)	(173,570)	(161,710)
Effect of asset ceiling	31,683	-	21,613	-
Net asset in statement of financial position	(31,681)	(98,190)	(21,613)	(61,101)

Notes to the consolidated financial statements *(Continued)*

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

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

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

	Group	
	2015	**2014**
	Shs'000	**Shs'000**
Opening defined benefit asset	(98,190)	(59,606)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	2,442	3,158
Interest on obligation	21,621	19,110
Interest income on plan assets	(35,128)	(27,092)
Net credit for the year included in staff costs (Note 7)	(11,065)	(4,824)
Employer's contributions	(6,178)	(6,742)
Amount recognised in other comprehensive income:		
Actuarial loss/(gain) - obligation	10,853	(6,750)
Return on plan assets (excluding amount in interest cost)	41,216	(20,268)
Change in effect of asset ceiling (excluding amount in interest cost)	31,683	-
Total amount recognised in other comprehensive income	83,752	(27,018)
Defined benefit asset at the end of the reporting period	(31,681)	(98,190)
Reconciliation of benefit obligation		
Opening benefit obligation	161,677	144,689
Current service cost	2,442	3,158
Interest cost	21,621	19,110
Employee contributions	2,899	3,037
Actuarial gain – change of assumptions	(462)	(2,249)
Actuarial gain - experience	11,314	(4,501)
Benefits paid	(8,419)	(1,567)
Closing benefit obligation	191,072	161,677
Reconciliation of assets		
Opening market value of assets	(259,867)	(204,295)
Interest income on plan assets	(35,128)	(27,092)
Employer contributions	(6,178)	(6,742)
Employee contributions	(2,899)	(3,037)
Return on plan assets	41,216	(20,268)
Benefits paid	8,419	1,567
Closing market value of assets	(254,437)	(259,867)

Notes to the consolidated financial statements *(Continued)*

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

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

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

	2015	**2014**
- discount rate	14.25%	13.5%
- future salary increases	10%	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. The Scheme is registered under irrevocable trust with the Retirement Benefits Authority. The Retirement Benefits Act, 1997 and Regulations under the Act require the Scheme to maintain a funding level of 100%. Where the funding level is below, such deficits are required to be amortised over a period not exceeding 6 years.

Asset ceiling

The Regulations require that, in the event of a winding up of the Scheme, any surplus is to be shared on an equal basis between the members of the scheme and the sponsor. The potential effect of this is reflected in the asset position at the end of the financial period.

Sensitivity of the Results:

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

Present value of obligation

2015

	Ksh'000	**Ksh'000**
	Current Discount Rate (14.25%)	Discount Rate – 1% (13.25%)
	191,100	192,900

2014

	Ksh'000	**Ksh'000**
	Current Discount Rate (13.5%)	Discount Rate – 1% (12.5%)
	161,700	166,500

Notes to the consolidated financial statements *(Continued)*

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

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

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

Effect on Company Cashflows:

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

Maturity Analysis of the Liability:

The weighted average duration of the liability as at 30 September 2015 is 0.9 (2014: 2.9)

Scheme assets

The scheme assets are managed by ICEA Lion Asset Management Limited. The composition of the assets at 30 September 2015 was as follows:

	2015		2014	
	Shs'000	%	Shs'000	%
Government securities	98,992	38.9	98,066	37.7
Quoted equities	87,053	34.2	101,638	39.1
Commercial paper and corporate bonds	36,820	14.5	29,561	11.4
Fixed deposits	30,649	12.0	27,001	10.4
Cash and contributions due	922	0.4	3,601	1.4
	254,436	100.0	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 3,242,000 to this scheme during the year (2015: Shs 2,455,000) 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 2015, the group contributed Shs 36,581,000 (2014:Shs 34,857,000) which has been charged to profit or loss.

Notes to the consolidated financial statements *(Continued)*

26. Payables and accrued expenses

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	83,464	79,602	19,367	19,899
Amount due to a related party (Note 30 (iv) & (v))	11,077	11,110	2,252	2,670
Amounts due to group companies (Note 30 (v))	-	-	481,663	376,712
Provision for leave pay	31,015	28,143	13,968	13,281
Accrued expenses	28,505	25,637	8,693	9,894
Other payables	17,989	19,664	6,467	7,418
	172,050	164,156	532,410	429,874

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)*

27. 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 previous 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

28. Commitments

Capital commitments

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

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Authorised and contracted for	33,263	27,350	6,136	-

Operating lease commitments

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

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	7,079	4,401	6,241	3,592
Between 2 and 5 years	20,523	-	20,523	-
Over 5 years	4,761	-	4,761	-
	32,363	4,401	31,525	3,592

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

Notes to the consolidated financial statements *(Continued)*

29. Note to the consolidated statement of cash flows

Note to the consolidated statement of cash flows	Group 2015 Shs'000	Group 2014 Shs'000
Reconciliation of profit before tax from continuing and discontinued to net cash generated from operations:		
Profit before tax from continuing operations	2,117,386	532,162
Adjustments for:		
Defined benefit retirement scheme credit recognised in profit for the year (Note 25(b))	(11,065)	(4,824)
Employer's contributions to defined benefit retirement scheme (Note 25(b))	(6,178)	(6,742)
Finance costs recognised in the profit for the year	428	3,190
Interest income recognised in the profit for the year	(54,995)	(17,883)
Depreciation of property, plant and equipment (Note 12)	125,108	111,554
Depreciation of investment property (Note 14)	54	55
Fair value adjustment of biological assets (Note 13)	(738,485)	(72,100)
Profit on sale of property, plant and equipment	(57,197)	(6,510)
Loss from discontinued operations	(1,033)	(1,359)
Operating profit before working capital changes	1,374,023	537,543
Working capital changes:		
- receivables and prepayments	19,041	(177,478)
- inventories	(101,821)	(53,433)
- payables and accrued expenses	13,696	20,858
- post employment benefit obligations	24,553	29,127
Net cash generated from continuing and discontinued operations	1,329,492	356,617

Notes to the consolidated financial statements *(Continued)*

30. Related party transactions

At the year end, companies controlled by the Robinow family and their subsidiary and associated companies owned 94% 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.

Control of Afchem Limited was acquired by Neil Cuthbert and family members in October 2014. Fees charged to the company are comparable to market rates.

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

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

	Group	
	2015	2014
	Shs'000	Shs'000
(i) Sales of goods and services		
Wigglesworth & Company Limited – UK		
Sale of sisal fibre and yarns	2,931,814	2,220,028
Afchem Limited – Management Services	360	-
	2,932,174	2,220,028
(ii) Purchase of management and legal services		
Kaplan & Stratton	3,552	2,865
REA Trading Limited	4,202	3,458
Chequered Flag Limited	668	321
	8,422	6,644

(iii) Key management compensation

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

	2015 Shs'000	2014 Shs'000
Salaries and other short term benefits	103,202	109,585
Post employment benefits	1,207	1,175
	104,409	110,760

Notes to the consolidated financial statements *(Continued)*

30. Related party transactions *(Continued)*

	Group	
	2015	2014
	Shs'000	Shs'000
(iv) Outstanding balances		
Current receivables (Note 19)		
Wigglesworth & Company Limited – UK	256,110	298,047
Afchem Limited	489	-
N.R. Cuthbert	206	-
	256,805	298,047
Current payables (Note 26)		
Wigglesworth & Company Limited - UK	11,020	11,017
Chequered Flag Limited	57	93
	11,077	11,110

(v) Outstanding balances	Company	
	2015	2014
	Shs'000	Shs'000
Current receivables (Note 19)		
Amounts due from group companies		
Amboni Plantations Limited	-	4,059
Amboni Spinning Mill Limited	350	2,038
Wigglesworth Exporters Limited	3,892	1,274
	4,242	7,371
Amount due from related parties		
Wigglesworth & Company Limited – UK	88,976	103,648
Afchem Limited	489	-
N.R. Cuthbert	206	-
	89,671	103,648

Notes to the consolidated financial statements *(Continued)*

30. Related party transactions *(Continued)*

Related party transactions (continued)	**Company**	
	2015	**2014**
	Shs'000	**Shs'000**
Current payables (Note 26)		
Amounts due to group companies		
Vipingo Estate Limited	436,395	374,533
Amboni Plantations Limited	1,653	-
Dwa Estate Limited	43,615	2,179
	481,663	376,712
Amount due to a related party		
Wigglesworth & Company Limited – UK	2,230	2,598
Chequered Flag Limited	22	72
	2,252	2,670

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.

31. Post balance sheet event

Agreements for the transfer of the entire shareholding in a subsidiary company, Vipingo Estate Limited and also for the transfer of certain portions of the company's agricultural land, were executed on 18 December 2015

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 23rd March 2016 and at any adjournment thereof.

Signature ______________________________ Date ____________________ 2016

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

* Strike out whichever is not desired.

Notes:

1. To be valid this proxy must be returned to The Secretary, Rea Vipingo Plantations Limited, 1st Floor, Block D, Wilson Business Park, Wilson Airport, P.O. Box 17648, Nairobi – 00500 so as to arrive no later than 10.00 a.m. on Tuesday 22nd March2016 .

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