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Company information

Directors
The directors of the company are as follows:

Oliver Fowler
Neil Cuthbert
Richard Robinow
Stephen Waruhiu
Brown Ondego

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

Registrars and transfer office
Custody and Registrars Services Limited,
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 second annual general meeting of the company will be held at Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Thursday 30 March 2017, 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 2016.

3. To confirm the payment of interim dividends amounting to Shs 28.00 per share (560%) and to confirm the recommendation of the directors that no final dividend be paid in respect of the year ended 30th September 2016.

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

5. To approve the directors' remuneration for the year ending 30 September 2017.

6. To note that Deloitte & Touche will continue in office as auditors of the company in accordance with the provisions of section 721 (2) of the Kenyan Companies Act, 2015 and to authorise the directors to fix the auditor's remuneration for the ensuing financial year in accordance with section 724 (1) of the Kenyan Companies Act, 2015.

By order of the board

I R HODSON

Secretary

7 February 2017

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.

Chairman's statement

The company has had a record year as a result of a "perfect storm" of high volumes, excellent sisal fibre prices, satisfactory exchange rates and lower than expected energy and fuel prices. The group profit before tax, and before accounting for losses arising from the valuation of biological assets, increased by Shs 300 million over the previous, also very satisfactory period, toShs 1,679 million.

In addition, the sale of the former subsidiary company, Vipingo Estate Limited and some of the Vipingo Land to Centum Investment Company Limited, produced a net profit of Shs. 780 million.

Group turnover increased by Shs 521 million to Shs 4.09 billion for the year.

Overall fibre volumes were 1.1% higher than the previous year at 20,020 tonnes, the first time the group has broken the 20,000 tonne mark. Operating costs were well under control helped to some extent by lower fuel and energy costs.

Our Tanzanian estates had a much better year and produced 226 more tonnes of fibre than the previous year at 7,904 tonnes. Labour availability was significantly better during the second half of the year which, together with a more consistent and reliable power supply, enabled the estates to produce very close to potential.

During the year we successfully built a new decortication facility at the Kigombe estate which is now in operation. This project, which was undertaken solely by our own inhouse engineering staff, will enable Kigombe to produce efficiently once all the new plantings mature.

Vipingo estate had a satisfactory year producing good volumes and grades. Dwa, although slightly below target in volume terms, had in the circumstances, a fair year.

Although the overall volume of yarn and rope produced and sold by the Tanga spinning mill was lower than the previous year at 2,306 tonnes, the product mix was slightly finer and overall the mill provided a satisfactory contribution. During the current year we are installing a number of additional machines in order to increase our preparation capacity and produce higher volumes of coarser yarns.

The Dwa horticulture division produced reasonable volumes of baby corn but volumes of chillies and other crops declined further. We did, however, again increase the production of seed which provides a healthy return and is a business that is likely to increase further for us in the current year.

The sisal fibre market, which had been firm for quite a number of years, continued to strengthen during the year and prices reached record levels. The further improvement in prices during the year was driven, in the main, by strong demand from several premium price markets where the group is particularly well positioned. The strong demand not only enabled us to benefit from the rising prices, but we also increased materially the volume that we sold into these key high margin markets.

Chairman's statement *(Continued)*

Following what has been an unusually prolonged period of high demand and high prices, there has inevitably been a bit of a correction in the market. One of the main premium markets has, we believe, become over-stocked with the result that demand from that key area has reduced and with this prices have come under some pressure. The reduction in demand from this market, and the resultant easing of prices will, we hope, encourage some of our more traditional buyers, who had started to reduce off-take because of the very high price levels, to again buy sisal in larger quantities.

The downturn in demand has coincided with a severe drought that is affecting much of East Africa. The dry conditions prevailing in many of the main sisal producing areas will result in lower volumes of sisal being produced during the first half of 2017. Our own group volumes will be significantly lower during the current financial period, particularly in Tanzania.

Although markets do become slightly less stable in times of lower demand, and the next few months will be critical, the group is well positioned to sell our production at prices that are, hopefully, not too far from what would ordinarily, before the major price increases in the period 2014 to 2016, be reasonable levels. The lower prices, and lower volumes of fibre that will be produced during the current year, will inevitably result in a lower turnover and level of profitability. The group is, however, well placed to deal with a downturn having largely re-equipped in recent years, planted at enhanced levels and, importantly, become debt free.

The group is well advanced in negotiations with Kenya Power and Lighting Company Limited for a Power Purchase Agreement (PPA) for a 1.44 MW biomass energy generation plant that we propose to build at Dwa. Once operational, the estate will be self-sufficient in power and will have an income stream from the sale of the surplus to the national grid.

The sale and lease back of land at Vipingo to Centum Investment Company Limited is proceeding and operations at the estate continue to run well.

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
7 February 2017

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2016 and crops are stated for the whole year ended on that date and referred to as the 2016 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	3,488
Older sisal	258
Immature sisal	1,387
Nurseries	85
Other areas	3,639
Horticulture	100
	8,957

Overall the rains at Dwa during the year were again below average but with a reasonable distribution. Leaf availability was lower than expected and a total of 7,131 tonnes (7,254 tonnes in 2015) was baled on the estate.

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 2016, some 471 hectares of new sisal was planted. It is intended that going forward Dwa will continue to plant in the region of 450 to 480 hectares per annum.

The rains during November and December 2016 have been good and so the estate has had a satisfactory start to the 2017 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 again successfully produced seed for sale to a major international seed supplier and this activity, which gives a good return, is likely to continue on a slightly larger scale.

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, with exception of seed production, 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	2,331
Older sisal	271
Immature sisal	844
Nurseries	80
Other areas	753
	4,279

The main April/May rains at Vipingo were below average and indeed May, normally one of the wettest months of the year, was one of the driest on record. Despite the lower rainfall the estate produced satisfactorily and a total of 4,985 tonnes (2015 – 4,864) of fibre was baled during the year. The grade mix was again satisfactory.

The annual replant at Vipingo is carried out, in the main, prior to the April rains and, during 2016, some 275 hectares were planted.

The November 2016 rains have been below expectations with the result that production will be slowed to some extent during the hot dry period prior to the April/May rains.

Amboni Plantations Limited

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

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

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

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

	Hectares
Mature sisal	3,421
Older sisal	1,463
Immature sisal	1,764
Nurseries	95
Other areas	8,093
	14,836

Rainfall on all the Tanzanian estates was disappointing, particularly from May onwards. Labour availability did improve during the second half of the financial period and, as a result, all estates more or less met their targets with a total of 7,904 tonnes of fibre produced (2015 – 7,678 tonnes).

The early new plantings at Kigombe are now mature and the second decorticator has been relocated to a more practical site with the result that production from the estate will, given normal climatic conditions, reach the 3,000 tonne level within the next couple of years.

Review of operations *(Continued)*

Amboni Plantations Limited *(Continued)*

Replanting in Tanzania is largely carried out prior to the April rains and in 2016 a total of 590 hectares was planted.

As a consequence of the poor rains from April 2016 to date, and the relatively high level of production, cutting rounds are up to date and from October to June the estates will operate at well below normal levels of activity. The April/May rains are critical to the estates having a better final quarter to the year. Overall production in 2017 will, even with good April/May rains, be quite significantly lower than 2016.

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 2,306 tonnes (2015 – 2,462 tonnes).

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

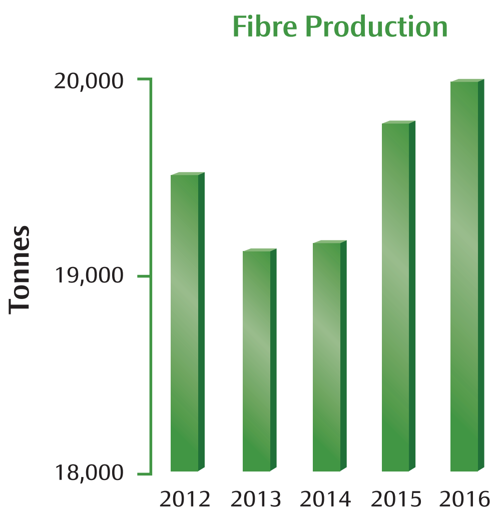
Marketing

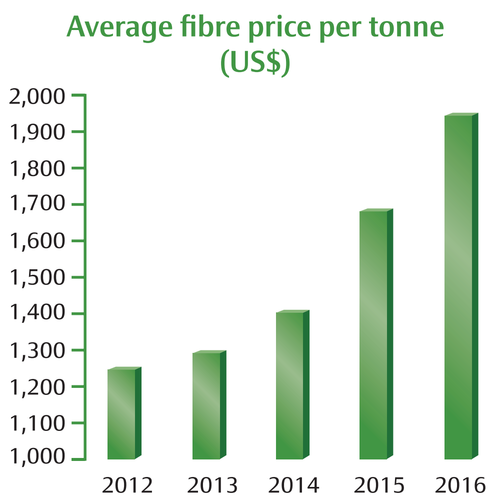
Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Company Limited, and this arrangement continued through the year to 30 September 2016. Wigglesworth & Company Limited, which is 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.

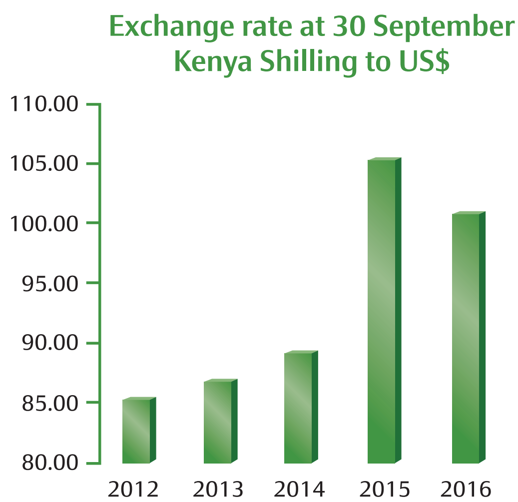
Review of operations *(Continued)*

Group statistical information

Total sisal fibre production was 20,020 tonnes (2015: 19,796 tonnes) and spun product production was 2,306 tonnes (2015: 2,462 tonnes). The average price of sisal fibre increased by approximately $235 per tonne.







Report of the directors

The directors present their report together with the audited financial statements of REA Vipingo Plantations Limited ("the company") and its subsidiaries (together "the group") for the year ended 30 September 2016 which disclose the state of affairs of the group and the company. In accordance with Section 42 of the Sixth Schedule. Transitional and Saving Provisions of the Companies Act, 2015 this report has been prepared in accordance with Section 157 of the repealed Companies Act, as if that repeal had not taken effect.

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

Results

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

Dividends

During the year interim dividends of Shs 20 per share and Shs 8 per share amounting to Shs 1,680,000,000 were declared and paid.

The directors do not recommend the payment of a final dividend in respect of the year ended 30th September 2016 (2015: Shs Nil).

Directors

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

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

Auditors

The directors will propose to the Annual General Meeting that Deloitte & Touche be re-appointed as auditors under the provisions of section 721 (2) of the Kenyan Companies Act, 2015.

By order of the Board

I R HODSON
Secretary
7 February 2017

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 their operating results 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 their 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

7 February 2017

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 13 to 78, which comprise the consolidated and company statements of financial position as at 30 September 2016, and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and 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 consolidated and company financial statements give a true and fair view of the financial position of REA Vipingo Plantations Limited and its subsidiaries as at 30 September 2016 and of their financial performance 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 and statements of profit or loss and other comprehensive income are 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
7 February 2017

Consolidated statement of profit or loss and other comprehensive income

	Notes	2016 Shs'000	2015 Shs'000
Revenue	5	4,089,281	3,568,118
Net (loss)/gain arising from changes in fair value of biological assets	13	(761,229)	738,485
Cost of sales		(1,499,431)	(1,572,121)
Gross profit		1,828,621	2,734,482
Interest income		32,038	54,995
Profit on sale of subsidiary	21(c)	337,983	-
Profit on sale of land	21 (d)	442,229	-
Other operating income		17,193	47,571
Foreign exchange (losses)/gains – net		(15,602)	122,206
Distribution costs		(110,369)	(104,138)
Administrative expenses		(833,516)	(733,051)
Other operating expenses		(152)	(4,251)
Finance costs	8	(20)	(428)
Profit before tax	6	1,698,405	2,117,386
Tax charge	9(a)	(290,671)	(649,672)
		1,407,734	1,467,714
Discontinued operations			
Loss for the year from discontinued operations	21 (a)	(5)	(1,033)
Profit for the year		1,407,729	1,466,681
Comprising:			
Profit arising from continuing and discontinued operating activities		1,940,589	949,742
(Loss)/profit arising from changes in fair value of biological assets		(532,860)	516,939
		1,407,729	1,466,681
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	24 (b)	(8,657)	(83,752)
Deferred tax credit attributable to remeasurement of net defined benefit asset	9 (b)	2,597	25,126
Remeasurement of net defined benefit asset net of tax		(6,060)	(58,626)
Item that may be reclassified subsequently to profit or loss			
Foreign exchange adjustment on translation of foreign subsidiaries		(58,044)	(87,034)
Other comprehensive loss for the year		(64,104)	(145,660)
Total comprehensive income for the year		1,343,625	1,321,021
Earnings per share from continuing and discontinued operations– basic and diluted	10	Shs 23.46	Shs 24.44

Company statement of profit or loss and other comprehensive income

	Notes	2016 Shs'000	2015 Shs'000
Revenue	5	947,284	853,778
Net (loss)/gain arising from changes in fair value of biological assets	13	(153,386)	89,165
Cost of production		(343,456)	(383,519)
Gross profit		450,442	559,424
Interest receivable		25,869	33,550
Dividends from subsidiaries		852,892	246,145
Profit on sale of subsidiary	21 (c)	427,598	-
Profit on sale of land	21 (d)	442,229	-
Other income		89,085	82,812
Foreign exchange (losses)/gains – net		(15,217)	13,786
Distribution costs		(38,215)	(36,617)
Administrative expenses		(316,544)	(287,513)
Other operating expenses		-	(4,202)
Profit before tax	6	1,918,139	607,385
Tax charge	9 (a)	(65,616)	(117,056)
Profit for the year		1,852,523	490,329
Comprising:			
Profit arising from operating activities		1,959,893	427,914
(Loss)/profit arising from changes in fair value of biological assets		(107,370)	62,415
		1,852,523	490,329
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	24 (b)	(6,015)	(51,252)
Deferred tax credit attributable to remeasurement of net defined benefit asset	9 (b)	1,805	15,375
Other comprehensive loss for the year		(4,210)	(35,877)
Total comprehensive income for the year		1,848,313	454,452

Consolidated statement of financial position

As at 30 September 2016

	Notes	2016 Shs'000	2015 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12(a)	923,916	851,746
Biological assets	13(a)	849,879	1,645,950
Investment properties	14	12,274	4,455
Investment in unquoted shares	17	10,028	9,151
Deferred tax assets	23	5,265	4,988
Post employment benefit asset	24(b)	32,375	31,681
		1,833,737	2,547,971
Current assets			
Inventories	18	803,962	570,044
Receivables and prepayments	19	1,109,858	501,407
Tax recoverable	9(c)	3,273	-
Cash and cash equivalents	20	410,680	1,177,151
Assets held for sale	21(b)	25,287	84,645
		2,353,060	2,333,247
Total assets		4,186,797	4,881,218
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Translation deficit		(270,453)	(212,409)
Retained earnings		3,354,576	3,632,907
Shareholders' funds		3,468,619	3,804,994
Non-current liabilities			
Deferred tax liabilities	23	308,106	544,953
Post employment benefit obligations	24(a)	206,287	186,599
		514,393	731,552
Current liabilities			
Payables and accrued expenses	25	195,167	172,050
Tax payable	9 (c)	8,618	171,932
Liabilities held for sale	21(b)	-	690
		203,785	344,672
Total equity and liabilities		4,186,797	4,881,218

The financial statements on pages 13 to 78 were approved for issue by the board of directors on 7 February 2017 and were signed on its behalf by:

N R Cuthbert Director O M Fowler Director

Company statement of financial position

As at 30 September 2016

	Notes	2016 Shs'000	2015 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12(b)	239,708	235,128
Biological assets	13(b)	56,002	209,388
Investment properties	14	12,274	4,455
Investments in subsidiaries	16	192,268	195,245
Investment in unquoted shares	17	10,028	9,151
Post employment benefit asset	24 (b)	21,933	21,613
		532,213	674,980
Current assets			
Inventories	18	170,584	98,934
Receivables and prepayments	19	656,960	155,986
Cash and cash equivalents	20	282,971	682,198
Assets held for sale	21(b)	25,287	429,273
		1,135,802	1,366,391
Total assets		1,668,015	2,041,371
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Retained earnings		1,089,565	921,252
Shareholders' funds		1,474,061	1,305,748
Non-current liabilities			
Post employment benefit obligations	24(a)	88,460	79,667
Deferred tax liability	23	11,270	56,766
		99,730	136,433
Current liabilities			
Payables and accrued expenses	25	88,009	532,410
Tax payable	9 (c)	6,215	66,780
		94,224	599,190
Total equity and liabilities		1,668,015	2,041,371

The financial statements on pages 13 to 78 were approved for issue by the board of directors on 7 February 2017 and were signed on its behalf by:

N R Cuthbert Director

O M Fowler Director

Consolidated statement of changes in equity

	Share capital	Share premium	Translation deficit	Retained earnings: Employee benefit reserve	Retained earnings: Biological assets fair value	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
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

Consolidated statement of changes in equity *(Continued)*

	Share capital	Share premium	Translation deficit	Retained earnings: Employee benefit reserve	Retained earnings: Biological assets fair value	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2016								
At start of year	300,000	84,496	(212,409)	(16,266)	1,048,538	2,600,635	3,632,907	3,804,994
(Loss)/profit for the year	-	-	-	-	(532,860)	1,940,589	1,407,729	1,407,729
Other comprehensive loss for the year	-	-	(58,044)	(6,060)	-	-	(6,060)	(64,104)
Total comprehensive (loss)/income for the year	-	-	(58,044)	(6,060)	(532,860)	1,940,589	1,401,669	1,343,625
Interim dividends paid	-	-	-	-	-	(1,680,000)	(1,680,000)	(1,680,000)
At end of year	300,000	84,496	(270,453)	(22,326)	515,678	2,861,224	3,354,576	3,468,619

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: Employee benefit reserve	Retained Earnings: Biological assets fair value	Retained Earnings: Other	Retained Earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
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
Year ended 30 September 2016							
At start of year	300,000	84,496	(9,282)	99,432	831,102	921,252	1,305,748
(Loss)/profit for the year	-	-	-	(107,370)	1,959,893	1,852,523	1,852,523
Other comprehensive loss for the year	-	-	(4,210)	-	-	(4,210)	(4,210)
Interim dividends paid	-	-	-	-	(1,680,000)	(1,680,000)	(1,680,000)
At end of year	300,000	84,496	(13,492)	(7,938)	1,110,995	1,089,565	1,474,061

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

Consolidated statement of cash flows

	Notes	2016 Shs'000	2015 Shs'000
Cash flows from operating activities			
Net cash generated from operations	28 (a)	946,869	1,329,492
Interest received		32,038	54,995
Interest paid	8	(20)	(428)
Tax paid	9 (c)	(679,700)	(237,665)
Net cash generated from operating activities		299,187	1,146,394
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(219,584)	(242,769)
Purchase of investment property	14	(7,891)	-
Purchase of unquoted shares	17	(877)	-
Net proceeds from disposal of shares in subsidiary	21 (e)	363,163	-
Net proceeds from disposal of land	21 (f)	476,316	-
Proceeds from disposal of property, plant and equipment		5,638	62,784
Net cash generated from/(used) in investing activities		616,765	(179,985)
Cash flows from financing activities			
Repayment of long-term borrowings		-	(27,497)
Interim dividends paid		(1,680,000)	-
Net cash used in financing activities		(1,680,000)	(27,497)
(Decrease)/increase in cash and cash equivalents		(764,048)	938,912
Cash and cash equivalents at start of year		1,177,242	241,516
Effects of exchange rate changes		(2,514)	(3,186)
Cash and cash equivalents at end of year	20	410,680	1,177,242

Company statement of cash flows

	Notes	2016 Shs'000	2015 Shs'000
Cash flows from operating activities			
Net cash generated from operations	28 (b)	190,346	598,011
Interest received		25,869	33,550
Tax paid	9 (c)	(169,872)	(18,813)
Net cash generated from operating activities		46,343	612,748
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(38,133)	(115,226)
Proceeds from disposals of property, plant and equipment		4,541	8,662
Purchase of unquoted shares	17	(877)	(9,151)
Purchase of investment property	14	(7,891)	(4,469)
Net proceeds from disposal of shares in subsidiary	21 (e)	797,497	-
Net proceeds from disposal of land	21 (f)	476,316	-
Net cash generated from/(used) in investing activities		1,231,453	(120,184)
Cash flows used in financing activities			
Interim dividends paid		(1,680,000)	-
Net cash used in financing activities		(1,680,000)	-
Net (decrease)/increase in cash and cash equivalents		(402,204)	492,564
At start of year		682,198	184,039
(Decrease)/Increase		(402,204)	492,564
Foreign exchange adjustment		2,977	5,595
At end of year	20	282,971	682,198

Notes to the consolidated financial statements

1. General information

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

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

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

(i) Amendment to published standards effective for the year ended 30 September 2016.

Various amendments to existing standards were effective in the current year. These amendments did not result in any material impact on the financial statements of the group.

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

	Effective for annual periods beginning on or after
IAS 16 Property, plant and equipment and IAS 41 Agriculture.	1 January 2016.
IAS 27 Separate financial statements.	1 January 2016.
IAS 12 Income taxes	1 January 2017.
IFRS 9 Financial instruments	1 January 2018.
IFRS 15 Revenue from contracts with customers.	1 January 2018
IFRS 16 Leases	1 January 2019.

Notes to the consolidated financial statements *(Continued)*

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

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

- **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

- **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

- **IAS 12 Income taxes**

  The amendments to this standard, which relate to the recognition of deferred tax assets for unrealised losses, clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

- The carrying amount of an asset does not limit the estimation of probable future taxable profits.

- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

- The directors of the Group are assessing the impact of the application of IAS 12 in the future. It is not practical to provide a reasonable estimate of this effect until a detailed review has been completed.

- **IFRS 9 Financial instruments**
  This statement 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 disclosure relating to contracts with customers.

- **IFRS 16 Leases**
  IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

  Lessors continue to classify leases as operating or finance lease, with IFRS 16, approach to lessor accounting unchanged from its predecessor, IAS 17.

  IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019.

  The directors of the Group are assessing the impact of the application of IFRS 16 in the future. It is not practical to provide a reasonable estimate of this effect until a detailed review has been completed.

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.

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies (continued)

Functional currency and translation of foreign currencies (continued)

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.

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies (continued)

Inventories

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

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

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

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

Property, plant and equipment

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

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

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

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies (continued)

Investment in unquoted shares

Unquoted investments are stated at cost less provision for impairment.

Biological assets

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

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

Impairment

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

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

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies (continued)

Taxation

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

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

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

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

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

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

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies (continued)

Retirement benefit obligations (continued)

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.

Employee entitlements

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

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

Investment in subsidiaries

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies (continued)

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Investments

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

Unquoted investments are stated at cost less provision for impairment.

Borrowings

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

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

Trade payables

Trade payables are stated at their nominal value.

Fair value measurement

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

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

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

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

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

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

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

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies (continued)

Fair value measurement (continued)

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 24 (b).

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

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

Changes in actuarial assumptions including mortality of participating members.

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

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

Deferred tax asset

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

Income taxes

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management

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

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

Categories of financial instruments	**Group**		**Company**	
	2016	**2015**	**2016**	**2015**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	1,491,680	1,647,545	932,258	832,162
Financial liabilities				
Borrowings and payables	195,167	172,740	88,009	532,410

Market risk

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

Foreign exchange risk

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

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Foreign exchange risk (continued)

	Assets		Liabilities	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
US Dollars	487,977	994,112	22,927	64,777
Sterling Pound	-	-	5,932	7,191
Euro	2,812	1,183	-	-
	490,789	995,295	28,859	71,968
Company				
US Dollars	215,123	450,698	1,999	2,230

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	
	2016	**2015**	**2016**	**2015**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Impact on profit or loss:				
Euro	141 (i)	59 (i)	-	-
US Dollar	23,253 (i)	46,467 (i)	10,656 (i)	22,423 (i)
Sterling Pound	297 (ii)	360 (ii)	-	-

(i) Indicates the increase in profit of a weakening of the Kenya Shilling against the Euro, 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 had no interest bearing borrowings at the end of the reporting period or at the previous reporting period and therefore was not exposed to interest rate risk.

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.

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk (continued)

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
2016			
Bank balances	394,512	-	-
Trade receivables	523,297	3,117	-
Related party receivables	298,441	-	-
Others	256,145	-	-
Total	1,472,395	3,117	-
2015			
Bank balances	1,144,613	-	-
Trade receivables	33,718	1,951	-
Related party receivables	256,806	-	-
Others	177,830	-	-
Total	1,612,966	1,951	-

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
2016			
Cash at bank	279,823	-	-
Trade receivables	504,011	-	-
Related party and group receivables	86,575	-	-
Others	58,701	-	-
Total	929,110	-	-
2015			
Cash at bank	670,940	-	-
Trade receivables	179	-	-
Related party and group receivables	93,913	-	-
Others	55,872	-	-
Total	820,904	-	-

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**
2016			
Payables, accrued expenses and other liabilities	195,167	-	-
Liabilities held for sale	-	-	-
Total financial liabilities	195,167	-	-
2015			
Payables, accrued expenses and other liabilities	172,050	-	-
Liabilities held for sale	690	-	-
Total financial liabilities	172,740	-	-

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
2016			
Payables, accrued expenses and other liabilities	88,009	-	-
2015			
Payables, accrued expenses and other liabilities	532,410	-	-

Banking facilities

Bank loans and overdrafts payable at call and reviewed annually

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Amounts utilised	-	-	-	-
Amounts unutilised	85,680	306,863	10,000	149,295
Total available facilities	85,680	306,863	10,000	149,295

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	
2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
4,134,541	4,368,435	1,646,082	2,019,758

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 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, either for the current year or the prior year, therefore a gearing ratio is not applicable

5. Revenue from continuing operations

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre	3,449,540	2,920,502	946,729	853,778
Yarn & Twines	467,942	481,704	-	-
Horticulture	102,428	97,788	555	-
Forwarding services	69,371	68,124	-	-
	4,089,281	3,568,118	947,284	853,778

Notes to the consolidated financial statements *(Continued)*

6. Profit before tax (continuing operations)

Profit before tax (continuing operations)		**Group**		**Company**	
		2016	**2015**	**2016**	**2015**
		Shs'000	**Shs'000**	**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)		133,622	125,108	33,517	27,313
Depreciation on investment property (Note 14)		72	54	72	14
Operating lease payments		15,917	16,176	8,418	8,890
Staff costs (Note 7)		1,049,253	923,891	399,785	329,526
Auditors' remuneration		9,342	9,217	3,035	2,760
Directors' emoluments	- fees	3,120	2,760	3,120	2,760
	- for management services	55,682	50,041	30,464	27,102
		58,802	52,801	33,584	29,862
Profit on disposal of property, plant and equipment		(5,594)	(57,197)	(4,505)	(7,415)

Notes to the consolidated financial statements *(Continued)*

7. Staff costs

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and wages	921,993	818,305	358,242	298,746
National Social Security Fund	39,873	36,581	3,508	3,393
Pension contributions –defined benefit retirement scheme credit (Note 24(b))	(2,948)	(11,065)	(1,997)	(7,549)
Pension contributions – defined contribution scheme	3,928	3,242	2,306	1,803
Gratuity and other terminal benefits	43,873	42,636	19,038	18,226
Medical	42,534	34,192	18,688	14,905
	1,049,253	923,891	399,785	329,524
Average number of permanent employees	3,817	3,718	1,324	1,250

8. Finance costs

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Interest expense	20	428	-	-

9. Tax (continuing operations)

	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
(a) Tax charge recognised in profit or loss				
Current tax	513,596	420,232	109,307	88,061
Capital gains tax	-	1,456	-	-
Deferred tax (credit)/charge (Note 23)	(222,925)	227,984	(43,691)	28,995
	290,671	649,672	65,616	117,056

Notes to the consolidated financial statements *(Continued)*

9. Tax *(Continued)*

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

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before tax	1,698,405	2,117,386	1,918,139	607,385
Less: loss for the year from discontinued operations	(5)	(1,033)	-	-
Adjusted profit before tax from continuing operations	1,698,400	2,116,353	1,918,139	607,385
Tax calculated at a tax rate of 30%	509,520	634,906	575,442	182,215
Capital gains tax on transfer of property	-	1,456	-	-
Tax effect of:				
Income not subject to tax	(251,596)	(4,848)	(516,883)	(74,181)
Expenses not deductible for tax purposes	40,745	16,322	7,393	8,351
(Over)/under provision of deferred tax in prior year	(974)	1,282	(466)	520
Under provision of current tax in prior year	652	590	130	151
Deferred income tax liability not recognised	-	(36)	-	-
Tax provision on acquisition of subsidiary now realised	(7,676)	-	-	-
Tax charge	290,671	649,672	65,616	117,056

(b) Tax credit recognised in other comprehensive income

Deferred tax credit attributable to remeasurement of net defined benefit asset	(2,597)	(25,126)	(1,805)	(15,375)

Notes to the consolidated financial statements *(Continued)*

9. Tax *(Continued)*

(c) Tax movement

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
At beginning of year	171,932	(12,448)	66,780	(2,468)
Current year charge	513,596	420,232	109,307	88,061
Capital gains tax	(1,456)	1,456	-	-
Tax paid	(678,244)	(237,665)	(169,872)	(18,813)
Translation adjustment	(483)	(444)	-	-
Transfer to assets held for sale	-	801	-	-
At end of year	5,345	171,932	6,215	66,780
Balances at year end				
Tax recoverable	(3,273)	-	-	-
Tax payable	8,618	171,932	6,215	66,780
	5,345	171,932	6,215	66,780

(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 had been calculated as follows:

	2016 Shs	2015 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	
	2016	**2015**
Profit for the year from continuing and discontinued operations (Shs '000)	1,407,729	1,466,681
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	23.46	24.44

There were no potentially dilutive ordinary shares outstanding at 30 September 2016 and at 30 September 2015. Diluted earnings per share are therefore the same as basic earnings per share.

11. Dividends

Dividends amounting to Shs 28 per share were declared and paid in respect of the year ended 30 September 2016. (2015: Shs Nil).

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment

(a) Group

Cost

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Computer Software Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 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)	-
Transfers 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
At 1 October 2015	116,981	317,450	1,132,631	4,022	19,720	1,590,804
Additions	463	20,698	137,421	1,142	59,860	219,584
Transfers	-	7,082	45,828	-	(52,910)	-
Disposals	-	-	(20,605)	-	-	(20,605)
Assets written off	-	-	(11,613)	-	-	(11,613)
Translation adjustment	(1,213)	(4,325)	(22,059)	-	(742)	(28,339)
At 30 September 2016	116,231	340,905	1,261,603	5,164	25,928	1,749,831

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 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
At 1 October 2015	9,194	42,435	686,561	868	-	739,058
Charge for the year	1,495	6,331	124,803	993	-	133,622
Eliminated on disposals	-	-	(20,561)	-	-	(20,561)
Eliminated on write offs	-	-	(11,613)	-	-	(11,613)
Translation adjustment	(151)	(431)	(14,009)	-	-	(14,591)
At 30 September 2016	10,538	48,335	765,181	1,861	-	825,915
Net book amount						
At 30 September 2016	105,693	292,570	496,422	3,303	25,928	923,916
At 30 September 2015	107,787	275,105	446,070	3,154	19,720	851,746

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 360,537,000 (2015:

Shs 306,735,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 56,999,000 (2015: Shs 52,394,000).

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 11,613,000 (2015: 10,109,000) and had a carrying value of Shs nil (2015: nil).

Based on an impairment review performed by the directors at 30 September 2016, no further indications of impairment of property, plant and equipment were identified. (2015: 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 34 years to 47 years.

Notes to the consolidated financial statements *(Continued)*

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

(b) Company

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Work in progress Shs'000	Total Shs'000
Cost						
At 1 October 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
Transfers 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
At 1 October 2015	2,236	119,989	282,429	1,689	1,005	407,348
Transfers	-	2,248	-	-	(2,248)	-
Additions	463	2,891	30,255	-	4,524	38,133
Disposals	-	-	(15,370)	-	-	(15,370)
Assets written off	-	-	(2,274)	-	-	(2,274)
At 30 September 2016	2,699	125,128	295,040	1,689	3,281	427,837

Notes to the consolidated financial statements *(Continued)*

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

Company

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Work in progress Shs'000	Total Shs'000
Depreciation						
At 1 October 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
At 1 October 2015	6	13,245	158,425	544	-	172,220
Charge for the year	33	2,318	30,828	338	-	33,517
Eliminated on disposals	-	-	(15,334)	-	-	(15,334)
Eliminated on write off	-	-	(2,274)	-	-	(2,274)
At 30 September 2016	39	15,563	171,645	882	-	188,129
Net book amount						
At 30 September 2016	2,660	109,565	123,395	807	3,281	239,708
At 30 September 2015	2,230	106,744	124,004	1,145	1,005	235,128

Included in property, plant and equipment are assets with an original cost of Shs 83,676,000 (2015:Shs 93,500,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 15,486,000 (2015:Shs 17,499,000)

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 2,274,000 (2015: Shs 137,000) and had a carrying value of Shs nil (2015: Shs nil).

Based on an impairment review performed by the directors as at 30 September 2016, no indications of further impairment of property, plant and equipment were identified. (2015: none).

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

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 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)*

(a) Group	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
At 1 October 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
(Loss)/gain arising from changes in fair value attributable to physical changes	(970,228)	9,921	(960,307)
Gain arising from changes in fair value attributable to price changes	140,505	-	140,505
Gain arising from changes in fair value attributable to changes in exchange and discount rates	58,573	-	58,573
Net fair value (loss)/gain	(771,150)	9,921	(761,229)
Translation adjustment	(34,842)	-	(34,842)
	836,614	13,265	849,879
At 30 September 2016			
Mature crops	588,734	13,265	601,999
Immature crops	247,880	-	247,880
	836,614	13,265	849,879

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

(b) Company

Sisal plants and nurseries

	2016 Shs'000	2015 Shs'000
Carrying amount at start of year : Immature sisal	53,358	50,908
Mature sisal	156,030	69,315
	209,388	120,223
Loss arising from changes in fair value attributable to physical changes	(153,386)	(63,478)
Gain arising from changes in fair value attributable to price changes of sisal fibre	-	67,028
Gain arising from changes in fair value attributable to changes in exchange and discount rates	-	85,615
Net fair value (loss)/gain	(153,386)	89,165
Carrying amount at end of year: Immature sisal	56,002	53,358
Mature sisal	-	156,030
	56,002	209,388

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, green grams, tomatoes, lucerne and water melon.

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

	Weeks
Baby corn	12
Chillies	12
Green grams	8
Tomatoes	16
Lucerne	6
Water melons	13

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.
- Current market prices are used to determine the fair value of horticultural crops.
- A discount rate is not applied to the anticipated net cash flows arising from horticultural crops. In view of the short term mature of the crops, the effect would be immaterial.

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 14.5% per annum (2015: 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 7% for both Kenya and Tanzania (2015: 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

In the previous year, 6 plots in a residential development managed by unrelated Company, Vipingo Beach Limited were transferred from a subsidiary company to the company. A further plot was acquired during the current year. Two plots are utilised and are included in property, plant and equipment. The information given below relates to the remaining 5 plots which are held as investment property. The properties are held under leasehold interests. The directors consider that the titles to leasehold land held by the group and company constitute finance leases.

Investment property

	Group and Company	
	2016	**2015**
	Shs'000	**Shs'000**
Cost		
At start of year	4,838	-
Transfer from subsidiary	-	4,838
Additions	7,891	-
	12,729	4,838
Depreciation		
At start of year	383	-
Transfer from subsidiary	-	369
Charge for the year	72	14
At year end	455	383
Carrying value at end of year	12,274	4,455
Fair value	34,819	28,000

The fair values of investment properties at 30 September 2016 are based on the value of the plot purchased in 2016. In the opinion of the directors, these valuations were still relevant at the end of the reporting period. Fair values of investment properties at 30 September 2015 were based on valuations made by Ryden International Registered Valuers in February 2014.

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	Level 2	Level 3
	Shs'000	Shs'000	Shs'000
30 September 2016			
Biological assets	-	-	849,879
Investment properties	-	34,819	-
30 September 2015			
Biological assets	-	-	1,645,950
Investment properties	-	28,000	-

Company

	Level 1	Level 2	Level 3
	Shs'000	Shs'000	Shs'000
30 September 2016			
Biological assets	-	-	56,002
Investment properties	-	34,819	-
30 September 2015			
Biological assets	-	-	209,338
Investment properties	-	28,000	-

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

For 2016 the value of the investment properties was based on a recent purchase of a similar plot. In the previous year the stated values were based on valuations made by Ryden International Registered Valuers, using the market approach.

Notes to the consolidated financial statements *(Continued)*

16. Investment in subsidiaries

	Company	
	2016 Shs'000	2015 Shs'000
Shares in subsidiaries at cost	134,175	504,074
Transfer to current assets classified as held for sale (Note 21)	-	(369,899)
At end of year	134,175	134,175
Long term receivable from subsidiary	58,093	61,070
	192,268	195,245

The shares in the subsidiary held for sale related 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	
	2016	2015
	Shs'000	Shs'000
At start of the year	9,151	-
Transfer from subsidiary		
600 shares in Vipingo Beach Limited	-	9,151
Additions 100 shares in Vipingo Beach Limited	877	-
	10,028	9,151

The group and company held 6 plots and acquired an additional plot in a residential development, Vipingo Beach Limited in the year (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	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre at fair value less estimated cost of sale	513,759	332,145	135,999	69,603
Horticultural produce at fair value less estimated cost of sale	258	356	-	-
Finished goods at lower of cost or net realisable value less provision	42,166	19,580	-	-
Stores and raw materials at lower of cost or net realisable value less provision	247,779	217,963	34,585	29,331
	803,962	570,044	170,584	98,934

Notes to the consolidated financial statements *(Continued)*

19. Receivables and prepayments

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	526,414	35,669	504,011	179
Prepayments	28,858	31,104	7,673	6,022
Amount due from related parties (Note 29 (iv) & (v))	298,441	256,805	69,136	89,671
Amounts due from group companies (Note 29 (v))	-	-	17,439	4,242
VAT recoverable	230,105	153,111	57,948	55,357
Other receivables	26,040	24,718	753	515
	1,109,858	501,407	656,960	155,986

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	
	2016	**2015**	**2016**	**2015**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Cash in hand	16,168	32,629	3,148	11,258
Cash at bank				
Current accounts	86,306	95,105	31,617	35,178
Deposit accounts – Ksh				
Call deposits	20,000	55,000	-	-
Term deposits	145,536	320,412	105,536	274,889
	165,536	375,412	105,536	274,889
Deposit accounts – USD	139,966	674,096	139,966	360,873
	305,502	1,049,508	245,502	635,762
Total cash at bank	391,808	1,144,613	277,119	670,940
Cash in transit	2,704	-	2,704	-
Total cash and cash equivalents	410,680	1,177,242	282,971	682,198
Less cash transferred to held for sale	-	(91)	-	-
Net cash and cash equivalents	410,680	1,177,151	282,971	682,198

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

	2016	**2015**	**2016**	**2015**
Call deposit – Ksh	7%	13%	-	-
Term deposit – Ksh	7.67%	13.08%	7.35%	13.17%
– USD	3.7%	3.74%	3.17%	3.8%

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

Notes to the consolidated financial statements *(Continued)*

21. Discontinued operations

In 2015, the company entered into agreements to sell its agricultural land and its entire shareholding in a subsidiary company, Vipingo Estate Limited. The transfer of the shareholding in Vipingo Estate Limited was concluded during the current year. Transfers of certain of the land titles were also entered into during the current year. At the reporting date, the required regulatory approvals were still awaited in respect of the remaining land titles.

The company will continue to operate its agricultural activities in agreement with the purchaser.

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

	2016 Shs'000	2015 Shs'000
Expenses		
Bank charges	(5)	(20)
Audit fees	-	(690)
General expenses	-	(1)
Legal & professional fees	-	(162)
VAT on group management fees	-	(31)
Amortisation on land	-	(129)
	(5)	(1,033)

(b) Assets and liabilities classified as held for sale

Group

Assets held for sale comprise:

	At 1.10.15 Shs'000	Disposals during the year Shs'000	At 30.09.16 Shs'000
Land	83,753	(58,466)	25,287
Cash	91	(91)	-
Tax recoverable	801	(801)	-
	84,645	(59,358)	25,287

Liabilities held for sale comprise:

Other payments	690	(690)	-

Notes to the consolidated financial statements *(Continued)*

21. Discontinued operations (continued)

(b) **Assets and liabilities classified as held for sale (continued)**

Company

Assets held for sale comprise:

	Land Shs'000	Shares in subsidiary Shs'000	Total Shs'000
At 1 October 2015	59,374	369,899	429,273
Disposals during the year	(34,087)	(369,899)	(403,986)
At 30 September 2016	25,287	-	25,287

(c) **Profit on sale of subsidiary**

	Group 2016 Shs'000	Company 2016 Shs'000
Cash received	386,209	386,209
Assumption of RVP liability	434,293	434,293
Total consideration	820,502	820,502
Original cost of shares	-	(369,899)
Assets disposed of:		
Property, plant and equipment	(24,379)	-
Due from REA Vipingo Plantations Limited	(434,293)	-
Taxation recoverable	(801)	-
Cash and bank balances	(41)	-
	(459,514)	(369,899)
Legal costs on disposal	(500)	(500)
	(460,014)	(370,399)
Profit on disposal before tax	360,488	450,103
Capital gains tax on disposal	(22,505)	(22,505)
Profit on disposal after tax	337,983	427,598

Notes to the consolidated financial statements *(Continued)*

21. Discontinued operations (continued)

		Group and company
(d)	**Profit on sale of land**	**Shs'000**
	Consideration receivable	503,480
	Less: legal costs incurred	(3,969)
	Net consideration receivable	499,511
	Carrying value of land	(34,087)
	Profit on disposal before tax	465,424
	Capital gains tax paid	(23,195)
	Profit on disposal after tax	442,229

		Group	Company
(e)	**Cash flow from sale of subsidiary**		
		Shs'000	**Shs'000**
	Cash consideration	386,209	386,209
	Assumption of RVP liability	-	434,293
	Total consideration	386,209	820,502
	Less		
	Cash and bank balances	(41)	(41)
	Legal costs on disposal	(500)	(500)
	Capital gains tax paid	(22,505)	(22,505)
	Net proceeds from disposal of shares in subsidiary	363,163	797,497

		Group and Company
(f)	**Cash flow from sale of land**	**Shs'000**
	Consideration receivable	503,480
	Less	
	Legal costs on disposal	(3,969)
	Capital gains tax paid	(23,195)
	Net proceeds from disposal of land	476,316

Notes to the consolidated financial statements *(Continued)*

22. Share capital

Share capital Authorised, issued and fully paid	Number of shares (Thousands)	Ordinary shares Shs'000	Share Premium Shs'000
Balance at 1 October 2014, 1 October 2015 and 30 September 2016	60,000	300,000	84,496

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

23. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2015: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
At start of year	539,965	352,613	56,766	43,146
Tax (credit)/charge recognised in profit or loss (Note 9 (a))	(222,925)	227,984	(43,691)	28,995
Tax credit recognised in other comprehensive income (Note 9(b))	(2,597)	(25,126)	(1,805)	(15,375)
Translation adjustment	(11,602)	(15,506)	-	-
At end of year	302,841	539,965	11,270	56,766

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

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Deferred tax assets	(5,265)	(4,988)	-	-
Deferred tax liabilities	308,106	544,953	11,270	56,766
	302,841	539,965	11,270	56,766

Notes to the consolidated financial statements *(Continued)*

23. Deferred tax (continued)

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

Group

	1.10.2015	Charged/ (credited) to profit or loss	Credited to other comprehensive income	Translation adjustment	30.9.2016
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities					
Accelerated tax depreciation	119,490	16,380	-	(2,411)	133,459
Biological assets	493,785	(228,368)	-	(10,452)	254,965
Acquisition of subsidiary	7,676	(7,676)	-	-	-
Post employment benefit asset	9,504	2,806	(2,597)	-	9,713
	630,455	(216,858)	(2,597)	(12,863)	398,137
Deferred tax assets					
Provisions	(90,490)	(6,067)	-	1,261	(95,296)
Net deferred tax liability	539,965	(222,925)	(2,597)	(11,602)	302,841

Company

	1.10.2015	Charged / (credited) to profit or loss	Credited to other comprehensive income	30.09.2016
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	27,487	2,595	-	30,082
Biological assets	62,817	(46,016)	-	16,801
Post employment benefit asset	6,484	1,901	(1,805)	6,580
	96,788	(41,520)	(1,805)	53,463
Deferred tax assets				
Provisions	(40,022)	(2,171)	-	(42,193)
Net deferred tax liability	56,766	(43,691)	(1,805)	11,270

Notes to the consolidated financial statements *(Continued)*

24. Post employment benefit obligations/(asset)

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Post employment benefit obligations/ (asset) comprise:				
(a) Staff retirement gratuity	206,287	186,599	88,460	79,667
(b) Defined benefit retirement scheme	(32,375)	(31,681)	(21,933)	(21,613)

(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	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	186,599	164,813	79,667	71,330
Charged to profit or loss	37,092	39,225	18,120	17,438
Utilised during year	(15,626)	(14,672)	(9,327)	(9,101)
Translation adjustment	(1,778)	(2,767)	-	-
At end of year	206,287	186,599	88,460	79,667

(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	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Present value of funded obligations	220,796	191,072	149,574	130,344
Fair value of scheme assets	(285,545)	(254,436)	(193,437)	(173,570)
Effect of asset ceiling	32,374	31,683	21,930	21,613
Net asset in statement of financial position	(32,375)	(31,681)	(21,933)	(21,613)

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

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

	Group	
	2016 Shs'000	2015 Shs'000
Opening defined benefit asset	(31,681)	(98,190)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	1,890	2,442
Interest on obligation	27,361	21,621
Interest on effect of asset ceiling	4,514	-
Interest income on plan assets	(36,713)	(35,128)
Net credit for the year included in staff costs (Note 7)	(2,948)	(11,065)
Employer's contributions	(6,403)	(6,178)
Amount recognised in other comprehensive income:		
Actuarial loss - obligation	477	10,853
Return on plan assets (excluding amount in interest cost)	12,005	41,216
Change in effect of asset ceiling (excluding amount in interest cost)	(3,825)	31,683
Total amount recognised in other comprehensive income	8,657	83,752
Defined benefit asset at the end of the reporting period	(32,375)	(31,681)
Reconciliation of benefit obligation		
Opening benefit obligation	191,072	161,677
Current service cost	1,890	2,442
Interest cost	27,361	21,621
Employee contributions	3,041	2,899
Actuarial loss/(gain) – change of assumptions	477	(462)
Actuarial loss - experience	-	11,314
Benefits paid	(3,045)	(8,419)
Closing benefit obligation	220,796	191,072
Reconciliation of assets		
Opening market value of assets	(254,437)	(259,867)
Interest income on plan assets	(36,713)	(35,128)
Employer contributions	(6,404)	(6,178)
Employee contributions	(3,041)	(2,899)
Return on plan assets	12,005	41,216
Benefits paid	3,045	8,419
Closing market value of assets	(285,545)	(254,437)

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

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

	Company	
	2016	2015
	Shs'000	Shs'000
Opening defined benefit asset	(21,613)	(61,101)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	1,280	1,666
Interest on obligation	18,535	14,749
Interest on effect of asset ceiling	3,058	-
Interest income on plan assets	(24,870)	(23,964)
Net credit for the year included in staff costs (Note 7)	(1,997)	(7,549)
Employer's contributions	(4,338)	(4,214)
Amount recognised in other comprehensive income	6,015	51,252
Defined benefit asset at the end of the reporting period	(21,933)	(21,613)

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

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

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

	2016	2015
- discount rate	14.70%	14.25%
- 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

2016

	Ksh'000 Current Discount Rate (14.7%)	Ksh'000 Discount Rate – 1% (13.7%)
	220,800	222,200

2015

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

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (Continued)

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

Effect on Company Cashflows:

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

Maturity Analysis of the Liability:

The weighted average duration of the liability as at 30 September 2016 is 0.6 (2015:0.9)

Scheme assets

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

	2016		2015	
	Shs'000	%	Shs'000	%
Government securities	134,942	47.3	98,992	38.9
Quoted equities	79,772	27.9	87,053	34.2
Commercial paper and corporate bonds	34,772	12.2	36,820	14.5
Fixed deposits	34,336	12.0	30,649	12.0
Cash and contributions due	1,723	0.6	922	0.4
	285,545	100.0	254,436	100.0

Other post employment benefit obligations

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

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Defined contribution benefit scheme	3,928	3,242	2,306	1,803

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

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
National Social Security Fund	39,873	36,581	3,508	3,393

Notes to the consolidated financial statements *(Continued)*

25. Payables and accrued expenses

Payables and accrued expenses	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	86,935	83,464	15,224	19,367
Amount due to related parties (Note 29 (iv) & (v))	10,742	11,077	1,999	2,252
Amounts due to group companies (Note 29 (v))	-	-	25,250	481,663
Provision for leave pay	35,381	31,015	14,617	13,968
Accrued expenses	26,067	28,505	8,899	8,693
Other payables	36,042	17,989	22,020	6,467
	195,167	172,050	88,009	532,410

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.

26. Contingent liabilities

The company and 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 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.

Notes to the consolidated financial statements *(Continued)*

27. Commitments

Capital commitments

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

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Authorised and contracted for	33,789	33,263	3,878	6,136

Operating lease commitments

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

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Not later than 1 year	4,892	6,241	4,892	6,241
Between 2 and 5 years	19,437	20,523	19,437	20,523
Over 5 years	-	4,761	-	4,761
	24,329	31,525	24,329	31,525

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

Notes to the consolidated financial statements *(Continued)*

28(a). Note to the consolidated statement of cash flows

	Group	
	2016	2015
	Shs'000	Shs'000
Reconciliation of profit before tax from continuing and discontinued to net cash generated from operations:		
Profit before tax from continuing operations	1,698,405	2,117,386
Adjustments for:		
Defined benefit retirement scheme credit recognised in profit for the year (Note 24(b))	(2,948)	(11,065)
Employer's contributions to defined benefit retirement scheme (Note 24(b))	(6,403)	(6,178)
Finance costs recognised in the profit for the year	20	428
Interest income recognised in the profit for the year	(32,038)	(54,995)
Depreciation of property, plant and equipment (Note 12)	133,622	125,108
Depreciation of investment property (Note 14)	72	54
Fair value adjustment of biological assets (Note 13)	761,229	(738,485)
Profit on sale of property, plant and equipment	(5,594)	(57,197)
Profit on sale of subsidiary (Note 21 c)	(337,983)	-
Profit on sale of land (Note 21 d)	(442,229)	-
Loss from discontinued operations	(5)	(1,033)
Operating profit before working capital changes	1,766,148	1,374,023
Working capital changes:		
- receivables and prepayments	(616,439)	19,041
- inventories	(250,233)	(101,821)
- payables and accrued expenses	25,927	13,696
- post employment benefit obligations	21,466	24,553
Net cash generated from continuing and discontinued operations	946,869	1,329,492

Notes to the consolidated financial statements *(Continued)*

28. (b) Note to the company statement of cash flows

	Company	
	2016	2015
	Shs'000	Shs'000
Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	1,918,139	607,385
Adjustment for:		
Defined benefit scheme credit recognised in the profit for the year (Note 24 (b))	(1,997)	(7,549)
Employer's contributions to defined benefit scheme (Note 24 (b))	(4,338)	(4,214)
Interest received	(25,869)	(33,550)
Depreciation (Note 12)	33,517	27,313
Depreciation on investment properties (Note 14)	72	14
Profit on sale of property plant and equipment	(4,505)	(7,415)
Profit on sale of shares in subsidiary (Note 21 (c))	(427,598)	-
Profit on sale of land (Note 21 (d))	(442,229)	-
Fair value adjustment of biological assets	153,386	(89,165)
Changes in:		
- trade and other receivables	(500,974)	8,568
- inventories	(71,650)	(14,249)
- trade and other payables	(444,401)	102,536
- post employment benefit obligations	8,793	8,337
Net cash generated from operations	190,346	598,011

Notes to the consolidated financial statements *(Continued)*

29. Related party transactions

At the year end, companies controlled by the Robinow family and their subsidiary and associated companies owned 96% of the company's shares (2015:94%).

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.

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

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

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

	Group	
	2016	2015
	Shs'000	Shs'000
(i) Sales of goods and services		
Wigglesworth & Company Limited – UK		
Sale of sisal fibre and yarns	3,481,890	2,931,814
Afchem Limited – Management Services	240	360
	3,482,130	2,932,174
(ii) Purchase of management and legal services		
Kaplan & Stratton	9,289	3,552
REA Trading Limited	-	4,202
Chequered Flag Limited	272	668
	9,561	8,422
(iii) Key management compensation		
Remuneration paid to directors and key management staff was as follows:		
Salaries and other short term benefits	114,427	103,202
Post employment benefits	1,287	1,207
Directors fees	3,120	2,760
	118,834	107,169

Notes to the consolidated financial statements *(Continued)*

29. Related party transactions *(Continued)*

	Group	
	2016	**2015**
	Shs'000	**Shs'000**
(iv) Outstanding balances		
Current receivables (Note 19)		
Wigglesworth & Company Limited – UK	298,232	256,110
Afchem Limited	209	489
N.R. Cuthbert	-	206
	298,441	256,805
Current payables (Note 25)		
Wigglesworth & Company Limited – UK	10,726	11,020
Chequered Flag Limited	16	57
	10,742	11,077

(v) Outstanding balances	Company	
	2016	**2015**
	Shs'000	**Shs'000**
Current receivables (Note 19)		
Amounts due from group companies		
Amboni Plantations Limited	8,568	-
Amboni Spinning Mill Limited	2,538	350
Wigglesworth Exporters Limited	6,333	3,892
	17,439	4,242
Amount due from related parties		
Wigglesworth & Company Limited – UK	68,927	88,976
Afchem Limited	209	489
N.R. Cuthbert	-	206
	69,136	89,671

Notes to the consolidated financial statements *(Continued)*

29. Related party transactions *(Continued)*

(v) Outstanding balances (cotinued)

	Company	
	2016	**2015**
	Shs'000	**Shs'000**
Current payables (Note 25)		
Amounts due to group companies		
Vipingo Estate Limited	-	436,395
Amboni Plantations Limited	-	1,653
Dwa Estate Limited	25,250	43,615
	25,250	481,663
Amount due to a related party		
Wigglesworth & Company Limited – UK	1,999	2,230
Chequered Flag Limited	-	22
	1,999	2,252

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.

REA VIPINGO PLANTATIONS

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 30Th March 2017 and at any adjournment thereof.

Signature ______________________________ Date ____________________ 2017

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 28Th March 2017.

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 Plantations Limited
P.O.Box 17648-00500
Nairobi,
Kenya

Third Fold and tuck in edge

First Fold