REA VIPINGO PLANTATIONS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

2018

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Company Information

The directors of the company are as follows:

Oliver Fowler

Neil Cuthbert

Richard Robinow

Stephen Waruhiu

Brown Ondego

Secretary and registered office

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

Registrars and transfer office

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

Independent auditors

Deloitte & Touche,
Certified Public Accountants (Kenya),
P.O. Box 84712, Mombasa 80100

Advocates

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

Notice of meeting

Notice is hereby given that the twenty fourth annual general meeting of the company will be held at Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Friday 22 March 2019, 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 2018.

3. To confirm the payment of interim dividends amounting to Shs 19.00 per share (380%) and to confirm the recommendation of the directors that no final dividend be paid in respect of the year ended 30th September 2018.

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 2019.

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
30 January 2019

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 group has generally had a better year than in 2017 although the profit from normal operations, and before adjustments to the fair value of biological assets, is slightly lower.

Overall volumes increased by 11.50% over the previous year to 19,137 tonnes with the Tanzanian estates in particular having a very productive year. Operating costs inevitably were higher across the board. Employment costs in particular reflected increases in direct wages, non-wage benefits and other costs associated with the employment of a large number of people. Fuel and power costs also increased materially during the year, especially in Kenya.

The sisal fibre market, which under-went a price correction in 2016 and 2017, was generally stable throughout the period and the group was, and continues to be, well sold. Sales continued to balance production avoiding any build up in stocks. We did see some price erosion in certain markets with the result that, despite increased volumes, turnover for the year was slightly lower at Shs 3.42 billion.

Profit before tax from normal operations, and before profit on the sale of land at Vipingo amounting to Shs 975 million, was Shs 664 million.

All estates experienced good and well distributed rainfall during the year with resulting good leaf availability. Production at Dwa continued at satisfactory levels whilst the performance of Vipingo and the Tanzanian estates was much improved at 4,455 tonnes and 8,046 tonnes respectively.

The Tanga spinning mill produced and sold 2,452 tonnes, some 195 tonnes more than the previous year. Sales of spun fibre into the international market continue to face severe price challenges but we have seen a welcome increase in demand from regional markets at reasonable price levels.

The Dwa horticulture division had a mixed year with lower sales of baby corn, the main year round crop, and low demand for other vegetable crops. The effect of this was more than offset by a further significant growth in our seed business which produced a satisfactory return.

Towards the end of the financial period under review we broke ground on the site of the planned new Dwa biomass energy generating plant. It is expected that the plant will be complete and operational during September 2019. This will mean that Dwa will not only be self-sufficient in power, but will also have a new income stream from the sale of surplus power to Kenya Power and Lighting Company Limited.

The sale and lease back of land at Vipingo to Centum Investment Company Limited has now been completed and operations at the estate continue to run normally. Centum have started some real estate developments on the land but the areas involved are modest relative to the estate size and should not affect production from the estate in the foreseeable future.

The current year has started well on the Kenyan estates which are operating ahead of budget and will have a strong first half to the year. Rainfall in November/ December has been good at Dwa and, providing the estate receives some reasonable rain in April, production this year is expected to be higher than previous years. Vipingo volumes should also be in line with, or ahead of, last year assuming a normal rainfall distribution during the remainder of the year.

The Tanzanian estates have had a poor first quarter as a result of some labour related disruptions. It is hoped that the remainder of the year will see a return to more normal operating conditions.

The sisal fibre market, and regional yarn market, remain buoyant and we expect pricing to continue at worst at or above current levels for the next six months at least.

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

Oliver Fowler
Chairman
30 January 2019

Report of the directors

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2018 which disclose the state of affairs of the group and the company.

Incorporation and registered office

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

Principal activities

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

Results

The results of the group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 14.

Business Review

Overall the group had a much improved year. Fibre production was 19,137 tonnes, an increase of 11.5% over the previous year's production of 17,166 tonnes. The Tanga spinning mill produced 2,452 tonnes (2017: 2,257 tonnes) of spun product.

All estates experienced good and well distributed rainfall.

Whilst the average price of sisal fibre reduced by approximately $129 per tonne, the group was well sold throughout the year.

Information relating to the individual operating units is given below. Areas are given as at 30 September 2018 and crops are stated for the whole year ended on that date and referred to as the 2018 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	3,384
Older sisal	415
Immature sisal	1,444
Nurseries	97
Other areas	3,506
Horticulture	111
	8,957

Overall the rains at Dwa during the year were significantly above average and leaf availability was, as a result, much improved. A total of 6,636 tonnes of fibre was baled on the estate (2017: 6,674 tonnes).

Report of the directors *(Continued)*

Business Review *(continued)*

Dwa *(continued)*

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 2018, some 500 hectares of new sisal were planted. It is intended that going forward Dwa will plant in the region of 470 hectares per annum.

The rains during November and December 2018 have been satisfactory and, providing that the estate receives reasonable rainfall in April, the estate should meet its production targets during the current year.

Horticulture

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

The horticulture section was developed around the production of baby corn which is sold to some of the large export-based horticulture producers. In the past two years Dwa has successfully developed a seed production business which will, it is hoped, form the back bone of Dwa's non-sisal agricultural activities in the future.

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 of land leased from Centum Investment Company Limited, made up as follows:

	Hectares
Mature sisal	2,482
Older sisal	441
Immature sisal	659
Nurseries	56
Other areas	641
	4,279

The rains at Vipingo were above average and well distributed throughout most of the year with the result that the estate produced a good production of 4,455 tonnes (2017 – 4,161 tonnes) of fibre 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 2018 some 179 hectares were planted.

Some rain fell in October 2018 but since then the estate has received virtually no rain, so the forthcoming May rains will be critical for the estate to meet its production volume and grade expectations.

Report of the directors *(Continued)*

Business Review *(continued)*

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	3,513
Older sisal	1,667
Immature sisal	1,568
Nurseries	132
Other areas	7,956
	14,836

In common with the Kenyan estates, the Tanzania estates all had good rainfall during the year. Labour availability was consistently good and the overall production for the year was significantly better at 8,046 tonnes than the previous year (2017 – 6,331 tonnes).

Replanting in Tanzania is largely carried out prior to the April rains and in 2018 a total area of 578 hectares were planted.

Although the estates have a good leaf position and have received some rain since the start of the new financial period, production has been erratic as a consequence of some labour problems experienced towards the end of 2018.

Report of the directors *(Continued)*

Business Review *(continued)*

Amboni Spinning Mill Limited

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

Sales of yarn in the local and regional markets improved by nearly 17% and represented 68% of the total sales. The international market, although very competitive, contributed consistently throughout the year. Total production was 2,452 tonnes (2017 – 2,257 tonnes).

The international market for yarns and ropes remains challenging and margins continue to be squeezed with little prospect of any improvement in the foreseeable future.

Marketing

Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Company Limited, and this arrangement continued through the year to 30 September 2018. Wigglesworth & Company Limited, which is a leading international sisal merchant, continued to develop the existing traditional markets for the group products and to exploit further the developing niche markets for the quality fibre and yarns that the group is able to produce.

Dividends

During the year interim dividends of Shs 10 per share and Shs 9 per share amounting to Shs 1,140,000,000 were declared and paid.

The directors do not recommend the payment of a final dividend in respect of the year ended 30th September 2018 (2017: Shs Nil).

Directors

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

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

Report of the directors *(Continued)*

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

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

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

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

Auditors

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

By order of the Board

I R HODSON
Secretary
30 January 2019

Statement of directors' responsibilities

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

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

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

II. Selecting suitable accounting policies and applying them consistently; and

III. Making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the board of directors on 30 January 2019 and signed on its behalf by:

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

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

Report on the Audit of the Consolidated and Separate financial statements

Opinion

We have audited the consolidated and separate financial statements of REA Vipingo Plantations Limited and its subsidiaries ("the Group") set out on pages 14 to 78, which comprise the consolidated and separate statements of financial position as at 30 September 2018 and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly in all material respects, the consolidated and separate financial position of the Group and the Company at 30 September 2018 and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of Kenyan Companies Act, 2015.

Basis for Opinion

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

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

Other Information

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

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

Independent Auditors' Report to the Members of Rea Vipingo Plantations Limited *(Continued)*

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Independent Auditors' Report to the Members of Rea Vipingo Plantations Limited *(Continued)*

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

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

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

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

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

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

In our opinion the information given in the report of the directors on pages 5 to 9 is consistent with the consolidated and separate financial statements.

The engagement partner responsible for the audit resulting in this independent auditors' report is

CPA Iqbal P Karim – P/No. 1895

Deloitte & Touche

Certified Public Accountants (Kenya)

Mombasa, Kenya

30 January 2019

Consolidated statement of profit or loss and other comprehensive income

	Notes	2018 Shs'000	2017 Shs'000
Revenue	5	3,416,698	3,528,274
Net (loss)/gain arising from changes in fair value of biological assets	13 (a)	(23,439)	236,060
Cost of production		(1,760,807)	(1,732,141)
Gross profit		1,632,452	2,032,193
Interest receivable		91,377	58,199
Profit on sale of land	21 (b)	975,430	140,040
Other operating income		28,672	19,944
Foreign exchange (losses)/gain – net		(8,322)	13,017
Distribution costs		(115,369)	(103,520)
Administrative expenses		(958,848)	(847,668)
Other operating expenses		(4,115)	(8,231)
Finance costs	8	(1,496)	(102)
Profit before tax	6	1,639,781	1,303,872
Tax charge	9 (a)	(278,615)	(367,985)
Profit for the year		1,361,166	935,887

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

Other comprehensive (loss)/ income

	Notes	2018 Shs'000	2017 Shs'000
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	24 (b)	(14,742)	19,792
Deferred tax credit /(charge) attributable to remeasurement of defined benefit asset	9 (b)	4,423	(5,937)
Remeasurement of defined benefit asset net of tax		(10,319)	13,855
Item that may be reclassified subsequently to profit or loss			
Foreign exchange adjustment on translation of foreign subsidiaries		(53,524)	(12,270)
Other comprehensive (loss)/ income for the year		(63,843)	1,585
Total comprehensive income for the year		1,297,323	937,472
Earnings per share from operations – basic and diluted	10	Shs 22.69	Shs 15.60

Company statement of profit or loss and other comprehensive income

	Notes	2018 Shs'000	2017 Shs'000
Revenue	5	732,428	754,664
Net (loss)/gain arising from changes in fair value of biological assets	13 (b)	(17,158)	53,606
Cost of production		(419,247)	(416,840)
Gross profit		296,023	391,430
Interest receivable		89,426	49,734
Dividends from subsidiaries		907,597	700,814
Profit on sale of land	21 (b)	975,430	140,040
Other income		102,471	104,878
Foreign exchange (losses)/gain - net		(18,326)	243
Distribution costs		(37,545)	(35,703)
Administrative expenses		(336,275)	(330,893)
Other operating expenses		(4,115)	(8,231)
Profit before tax	6	1,974,686	1,012,312
Tax charge	9 (a)	(36,546)	(60,688)
Profit for the year		1,938,140	951,624
Other comprehensive (loss)/ income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	24 (b)	(11,109)	13,398
Deferred tax credit/ (charge) attributable to remeasurement of defined benefit asset	9 (b)	3,333	(4,019)
Other comprehensive(loss)/ income for the year		(7,776)	9,379
Total comprehensive income for the year		1,930,364	961,003

Consolidated statement of financial position

As at 30 September 2018

	Notes	2018 Shs'000	2017 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12 (a)	2,144,658	1,948,035
Investment properties	14	11,993	12,134
Investment in unquoted shares	17	10,028	10,028
Deferred tax assets	23	2,905	3,002
Post employment benefit asset	24 (b)	62,286	62,194
		2,231,870	2,035,393
Current assets			
Inventories	18	565,165	625,681
Biological assets	13 (a)	672,356	708,668
Receivables and prepayments	19	945,983	763,530
Tax recoverable	9 (d)	49,411	72,576
Cash and cash equivalents	20	635,428	380,734
Assets held for sale	21 (a)	-	22,918
		2,868,343	2,574,107
Total assets		5,100,213	4,609,500
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Translation deficit		(322,376)	(268,852)
Retained earnings		3,718,005	3,507,158
Shareholders' funds		3,780,125	3,622,802
Non-current liabilities			
Deferred tax liabilities	23	579,365	578,701
Post employment benefit obligations	24 (a)	256,815	226,708
Borrowings	25	106,802	-
		942,982	805,409
Current liabilities			
Payables and accrued expenses	26	326,064	177,168
Tax payable	9 (d)	30,199	4,121
Borrowings	25	20,843	-
		377,106	181,289
Total equity and liabilities		5,100,213	4,609,500

The financial statements on pages 14 to 78 were approved for issue by the board of directors on 30 January 2019 and were signed on its behalf by:

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

Company statement of financial position

As at 30 September 2018

	Notes	2018 Shs'000	2017 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12 (b)	469,544	486,333
Investment properties	14	11,993	12,134
Investments in subsidiaries	16	189,372	191,733
Investment in unquoted shares	17	10,028	10,028
Post employment benefit asset	24 (b)	42,149	42,134
		723,086	742,362
Current assets			
Tax recoverable	9 (d)	2,786	9,579
Biological assets	13 (b)	135,973	153,131
Inventories	18	133,553	134,777
Receivables and prepayments	19	1,068,588	434,253
Cash and cash equivalents	20	532,642	243,433
Assets held for sale	21 (a)	-	22,918
		1,873,542	998,091
Total assets		2,596,628	1,740,453
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium	22	84,496	84,496
Retained earnings		1,845,362	1,055,451
Shareholders' funds		2,229,858	1,439,947
Non-current liabilities			
Post employment benefit obligations	24 (a)	108,386	98,379
Deferred tax liability	23	108,703	120,611
		217,089	218,990
Current liabilities			
Payables and accrued expenses	26	149,681	81,516
		149,681	81,516
Total equity and liabilities		2,596,628	1,740,453

The financial statements on pages 14 to 78 were approved for issue by the board of directors on 30 January 2019 and were signed on its behalf by:

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

Consolidated statement of changes in equity

	Share capital	Share premium	Translation deficit	Retained earning: Employee benefit reserve	Retained earning: Other	Retained earning: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2017							
At start of year	300,000	84,496	(256,582)	(22,326)	3,779,742	3,757,416	3,885,330
Profit for the year	-	-	-	-	935,887	935,887	935,887
Other comprehensive (loss)/income for the year	-	-	(12,270)	13,855	-	13,855	1,585
Total comprehensive (loss)/ income for the year	-	-	(12,270)	13,855	935,887	949,742	937,472
Interim dividends paid	-	-	-	-	(1,200,000)	(1,200,000)	(1,200,000)
At end of year	300,000	84,496	(268,852)	(8,471)	3,515,629	3,507,158	3,622,802
Year ended 30 September 2018							
At start of year	300,000	84,496	(268,852)	(8,471)	3,515,629	3,507,158	3,622,802
Profit for the year	-	-	-	-	1,361,166	1,361,166	1,361,166
Other comprehensive loss for the year	-	-	(53,524)	(10,319)	-	(10,319)	(63,843)
Total comprehensive (loss)/ income for the year	-	-	(53,524)	(10,319)	1,361,166	1,350,847	1,297,323
Interim dividends paid	-	-	-	-	(1,140,000)	(1,140,000)	(1,140,000)
At end of year	300,000	84,496	(322,376)	(18,790)	3,736,795	3,718,005	3,780,125

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: Other	Retained Earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2017						
At start of year	300,000	84,496	(13,492)	1,307,940	1,294,448	1,678,944
Profit for the year	-	-	-	951,624	951,624	951,624
Other comprehensive income for the year	-	-	9,379	-	9,379	9,379
Total comprehensive income for the year	-	-	9,379	951,624	961,003	961,003
Interim dividends paid	-	-	-	(1,200,000)	(1,200,000)	(1,200,000)
At end of year	300,000	84,496	(4,113)	1,059,564	1,055,451	1,439,947
Year ended 30 September 2018						
At start of year	300,000	84,496	(4,113)	1,059,564	1,055,451	2,231,628
Profit for the year	-	-	-	1,938,140	1,938,140	1,938,140
Other comprehensive loss for the year	-	-	(7,776)	-	(7,776)	(7,776)
Total comprehensive (loss)/ income for the year	-	-	(7,776)	1,938,140	1,930,364	1,930,364
Transfer from related party	-	-	(453)	-	(453)	(453)
Interim dividends paid	-	-	-	(1,140,000)	(1,140,000)	(1,140,000)
At end of year	300,000	84,496	(12,342)	1,857,704	1,845,362	2,229,858

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

Consolidated statement of cash flows

	Notes	2018 Shs'000	2017 Shs'000
Cash flows from operating activities			
Net cash generated from operations	29 (a)	1,024,830	1,831,036
Interest received		97,810	43,982
Interest paid	8	(326)	(102)
Banking facility fees paid		(1,170)	-
Tax paid	9 (d)	(212,847)	(351,167)
Net cash generated from operating activities		908,297	1,523,749
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (a)	(536,302)	(352,365)
Net proceeds from disposal of land		998,349	142,409
Proceeds from disposal of property, plant and equipment		9,085	9,382
Loan advanced to parent company		(817,569)	(672,685)
Proceeds from loan repayments from parent company		709,160	520,423
Net cash generated from /(used in) investing activities		362,723	(352,836)
Cash flows from financing activities			
Interim dividends paid		(1,140,000)	(1,200,000)
Proceeds from borrowings		127,246	-
Net cash used in financing activities		(1,012,754)	(1,200,000)
Increase/(decrease) in cash and cash equivalents		258,266	(29,087)
Cash and cash equivalents at start of year		380,734	410,680
Effects of exchange rate changes		(3,572)	(859)
Cash and cash equivalents at end of year	20	635,428	380,734

Company statement of cash flows

	Notes	2018 Shs'000	2017 Shs'000
Cash flows from operating activities			
Net cash generated from operations	29 (b)	531,667	1,261,081
Interest received		95,859	35,517
Tax paid	9 (d)	(38,134)	(58,967)
Net cash generated from operating activities		589,392	1,237,631
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (b)	(59,340)	(71,579)
Proceeds from disposals of property, plant and equipment		6,858	3,728
Net proceeds from disposal of land		998,348	142,409
Loan advanced to parent company		(817,569)	(672,685)
Proceeds from loan repayment from parent company		709,160	520,423
Net cash generated from/(used in) investing activities		837,457	(77,704)
Cash flows used in financing activities			
Dividends paid		(1,140,000)	(1,200,000)
Net cash used in financing activities		(1,140,000)	(1,200,000)
Net increase/ (decrease) in cash and cash equivalents		286,849	(40,073)
At start of year		243,433	282,971
Increase/(decrease)		286,849	(40,073)
Foreign exchange adjustment		2,360	535
At end of year	20	532,642	243,433

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) and Interpretations

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2018.

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

IAS 7	Statements of cash flows.
IAS 12	Income taxes.

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

Effective for annual periods beginning on or after

IFRS 9 Financial instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 19 Employee benefits	1 January 2019
IAS 40 Investment property	1 January 2018

Annual improvements to IFRSs 2014-2016 Cycle issued in December 2016, which included amendments to:

IFRIC 23 Uncertainty over income tax treatments	1 January 2019

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

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

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

- **IFRS 9 Financial instruments**

  The final version of this standard, which will replace IAS 39 Financial Instruments: Recognition and measurement, was issued in July 2014.

  This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. The criteria for classification into these categories are significantly different from those applied under IAS 39. In addition, the impairment model under IFRS 9 has been changed from an "incurred loss" model as applied under IAS 39, to an "expected credit loss" model.

  The directors do not anticipate that the adoption of this standard will have a significant impact on the reported results of the group.

- **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 leases, with IFRS 16, approach to lessor accounting unchanged from its predecessor, IAS 17.

  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.

- **IAS 19 Employee benefits**

  The amendments to this standard will require the group to:

  Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement:

  Recognise in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

  The directors do not anticipate that the adoption of these amendments to the standard will have a significant impact on the reported results of the group.

- **IAS 40 Investment property**

  The amendments clarify that transfers to or from investment property should only be made when there is a change of use. The directors anticipate no material impact to the group's financial statements.

- **IFRIC 23 Uncertainty over income tax treatments**

  The interpretation clarifies the application of the recognition and measurement requirements contained in IAS 12 Income Taxes where there is uncertainty over income tax treatments. The application of the interpretation will necessitate additional assumptions, estimates and significant judgements. The group has yet to assess the probable impact of the interpretation on the financial statements.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Consolidation

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

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

Costs related to acquisitions are expensed as incurred.

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

A list of subsidiary companies is shown in Note 16.

Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

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

Consolidation

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

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

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

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

Non-current assets held for sale

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

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

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

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

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

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

Revenue recognition

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

Sales of goods are recognised upon dispatch of the products.

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

Inventories

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

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

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

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

Property, plant and equipment

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Property, plant and equipment *(Continued)*

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

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

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

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

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

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

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

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

Investment property

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

Investment in unquoted shares

Unquoted investments are stated at cost less provision for impairment.

Biological assets

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Impairment

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

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

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

Accounting for leases

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

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

Taxation

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

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Taxation*(Continued)*

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.

Post-employment benefit obligations

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

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

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

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

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

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

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

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

Employee entitlements

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Employee entitlements *(Continued)*

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

Investment in subsidiaries

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

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

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Investments

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

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

Borrowings

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

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

Trade payables

Trade payables are stated at their nominal value.

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Fair value measurement*(Continued)*

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

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

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

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

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

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

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

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

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

Borrowings costs

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

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

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, bearer plants and intangible assets and whether assets are impaired.

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

Biological assets

(a) Horticultural crops

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

(b) Agricultural produce at the point of harvest

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

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

Defined benefit retirement scheme

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

Notes to the consolidated financial statements *(Continued)*

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

Defined benefit retirement scheme *(Continued)*

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.

Classification of leases of land and buildings as finance or operating leases

At the inception of each lease of land or building, the group considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

The lease transfers ownership of the asset to the lessee by the end of the lease term.

The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

The lease term is for the major part of the economic life of the asset even if title is not transferred.

At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The group also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee.

Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and

The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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**	
	2018	**2017**	**2018**	**2017**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	1,536,617	1,111,442	1,595,667	672,029
Financial liabilities				
Payables	326,064	177,168	149,681	81,516
Borrowings	127,645	-	-	
	453,709	177,168	149,681	81,516

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	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
US Dollars	779,615	676,889	13,977	13,814
Sterling Pound	-	472	15,814	6,246
Euro	3,011	3,398	117,801	-
	782,626	680,759	147,592	20,060
Company				
US Dollars	503,496	474,720	1,046	2,413

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	
	2018	**2017**	**2018**	**2017**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Impact on profit or loss:				
Euro	5,740(ii)	169 (i)	-	-
US Dollar	38,282(i)	33,154 (i)	25,123(i)	23,615 (i)
Sterling Pound	791 (ii)	289 (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 and Euro by 5%. A strengthening of the Kenya Shilling against the Sterling Pound and Euro by 5% would result in an increase of the same amount

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Price risk

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

Interest rate risk

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

Interest rate sensitivity

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

If interest rates had been 1% higher/lower and all other variables remained constant, the company's profit before tax for the year ended 30 September 2018 would have been decreased/increased by Shs 1,178,000. The company had no borrowings at the end of the previous year.

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk

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

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

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

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

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

Group

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2018			
Bank balances	620,021	-	-
Trade receivables	20,216	12,549	-
Related party receivables	488,005	-	-
Others	380,419	-	-
Total	1,508,661	12,549	-
2017			
Bank balances	364,705	-	-
Trade receivables	25,381	421	-
Related party receivables	383,063	-	-
Others	321,843	-	-
Total	1,094,992	421	-

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
2018			
Bank balances	530,914	-	-
Trade receivables	5,666	4,982	-
Related party and group receivables	1,031,613	-	-
Others	20,764	-	-
Total	1,588,957	4,982	-
2017			
Bank balances	239,205	-	-
Trade receivables	598	-	-
Related party and group receivables	385,739	-	-
Others	42,259	-	-
Total	667,801	-	-

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**	**Over 5 years Shs'000**
2018				
Payables, accrued expenses and other liabilities	326,064	-	-	-
Borrowings	20,843	22,486	84,316	-
Deferred charges on bank loans	3,504	2,946	4,566	110
	350,411	25,432	88,882	110
2017				
Payables, accrued expenses and other liabilities	177,168	-	-	-
Borrowings	-	-	-	-
	177,168	-	-	-

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
2018			
Payables, accrued expenses and other liabilities	149,681	-	-
2017			
Payables, accrued expenses and other liabilities	81,516	-	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Banking facilities

Bank loans and overdrafts payable at call and reviewed annually

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Amounts utilised	127,645	-	-	-
Amounts unutilised	579,471	85,195	10,000	10,000
Total available facilities	707,116	85,195	10,000	10,000

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	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
	1,696,670	4,526,735	-	1,698,319

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 current and previous reporting period; therefore a gearing ratio is not applicable.

Notes to the consolidated financial statements *(Continued)*

5. Total revenue

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre	2,826,457	2,890,649	732,428	754,664
Yarn & Twines	428,523	447,354	-	-
Horticulture	92,675	115,368	-	-
Forwarding services	69,043	74,903	-	-
	3,416,698	3,528,274	732,428	754,664

Notes to the consolidated financial statements *(Continued)*

6. Profit before tax

	Group 2018 Shs'000	Group 2017 Shs'000	Company 2018 Shs'000	Company 2017 Shs'000
The profit before tax is arrived at after charging /(crediting):				
Depreciation on property, plant and equipment (Note 12)	305,362	288,106	74,611	73,889
Depreciation on investment property (Note 14)	141	140	141	140
Operating lease payments	8,355	10,206	5,853	5,746
Staff costs (Note 7)	1,235,771	1,129,079	433,999	400,806
Auditors' remuneration	11,225	10,275	3,675	3,340
Directors' emoluments - fees	3,720	3,480	3,720	3,480
- for management services	66,862	58,294	36,767	32,430
	70,582	61,774	40,487	35,910
Profit on disposal of property, plant and equipment	(7,553)	(6,407)	(5,339)	(3,496)

7. Staff costs

	Group 2018 Shs'000	Group 2017 Shs'000	Company 2018 Shs'000	Company 2017 Shs'000
Salaries and wages	1,089,332	1,009,291	389,574	361,695
National Social Security Fund	42,480	40,474	3,016	2,978
Pension contributions –defined benefit retirement scheme credit (Note 24(b))	(7,936)	(3,224)	(5,370)	(2,184)
Pension contributions – defined contribution scheme	4,698	4,386	2,588	2,476
Gratuity and other terminal benefits	58,885	40,427	25,363	19,550
Medical	48,312	37,725	18,828	16,291
	1,235,771	1,129,079	433,999	400,806
Summary of permanent employees				
Management	48	48	19	19
Supervisory	216	217	55	54
Unionisable	3,132	3,343	1,163	1,169
Others	9	11	7	7
	3,405	3,619	1,241	1,249

Notes to the consolidated financial statements *(Continued)*

8. Finance costs

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Interest expense	326	102	-	-
Bank facility fees	1,170	-	-	-
	1,496	102	-	-

9. Tax

	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
(a) Tax charge recognised in profit or loss				
Current tax	262,666	277,375	44,927	43,173
Deferred tax charge/(credit) (Note 23)	15,949	90,610	(8,381)	17,515
	278,615	367,985	36,546	60,688

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	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Profit before tax	1,639,781	1,303,872	1,974,686	1,012,312
Tax calculated at a tax rate of 30%	491,934	391,162	592,406	303,694
Tax effect of:				
Income not subject to tax	(286,973)	(35,826)	(564,908)	(252,256)
Expenses not deductible for tax purposes	41,505	12,289	8,719	9,676
Over provision of deferred tax in prior year	(726)	(1,040)	(176)	(1,107)
Under/(over) provision of current tax in prior year	1,492	1,400	(14)	681
Additional tax assessments	31,383	-	-	-
Transfer of defined benefit asset from subsidiary	-	-	519	-
Tax charge	278,615	367,985	36,546	60,688

(b) Tax (credit)/charge recognized in other comprehensive (loss)/income

Deferred tax (credit)/charge attributable to remeasurement of net defined benefit asset	(4,423)	5,937	(3,333)	4,019

(c) Additional tax assessment

During the year, the Tanzanian Revenue Authority conducted a tax audit on one of the subsidiaries, Amboni Plantations Limited which resulted into additional tax assessments as listed below:

Year of Income	Shs'000
2014	12,074
2015	7,530
2016	6,351
2017	5,428
Total tax assessment	31,383

Notes to the consolidated financial statements *(Continued)*

9. Tax *(continued)*

(d) Tax movement

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	(68,455)	5,345	(9,579)	6,215
Current year charge	262,666	277,375	44,927	43,173
Tax paid	(212,847)	(351,167)	(38,134)	(58,967)
Translation adjustment	(576)	(8)	-	-
At end of year	(19,212)	(68,455)	(2,786)	(9,579)

Balances at year end

Tax recoverable	(49,411)	(72,576)	(2,786)	(9,579)
Tax payable	30,199	4,121	-	-
	(19,212)	(68,455)	(2,786)	(9,579)

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	
	2018	**2017**
	Shs'000	**Shs'000**
Profit for the year (Shs '000)	1,361,166	935,887
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	22.69	15.60

There were no potentially dilutive ordinary shares outstanding at 30 September 2018 and at 30 September 2017. Diluted earnings per share are therefore the same as basic earnings per share.

11. Dividends

Interim dividends amounting to Shs 19 per share were declared and paid in respect of the year ended 30 September 2018. (2017: Shs 20).

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment

(a) Group

Cost

	Leasehold land	Buildings	Plant and machinery	Software	Bearer plants	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 October 2016	116,231	340,905	1,261,603	5,164	1,475,984	25,928	3,225,815
Additions	-	5,372	101,320	1,334	202,962	41,377	352,365
Transfers	-	28,862	28,704	-	-	(57,566)	-
Disposals	-	-	(22,473)	-	-	-	(22,473)
Assets written off	-	(229)	(25,191)	-	(89,312)	-	(114,732)
Translation adjustment	(218)	(1,028)	(5,250)	-	(5,745)	(75)	(12,316)
At 30 September 2017	116,013	373,882	1,338,713	6,498	1,583,889	9,664	3,428,659
At 1 October 2017	116,013	373,882	1,338,713	6,498	1,583,889	9,664	3,428,659
Additions	-	8,684	108,408	2,079	215,855	201,276	536,302
Transfers	-	19,350	18,090	-	-	(37,440)	-
Disposals	-	-	(29,713)	-	-	-	(29,713)
Assets written off	-	-	(2,565)	-	(98,569)	-	(101,134)
Translation adjustment	(962)	(4,895)	(24,828)	(34)	(26,814)	(463)	(57,996)
At 30 September 2018	115,051	397,021	1,408,105	8,543	1,674,361	173,037	3,776,118

Notes to the consolidated financial statements *(Continued)*

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

(a) Group

Depreciation

	Leasehold land	Buildings	Plant and machinery	Software	Bearer plants	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 October 2016	10,538	48,335	765,181	1,861	506,123	-	1,332,038
Charge for the year	1,492	7,473	135,400	1,090	142,651	-	288,106
Eliminated on disposals	-	-	(19,498)	-	-	-	(19,498)
Eliminated on write offs	-	(229)	(25,191)	-	(89,312)	-	(114,732)
Translation adjustment	(36)	(109)	(3,354)	-	(1,791)	-	(5,290)
At 30 September 2017	11,994	55,470	852,538	2,951	557,671	-	1,480,624
At 1 October 2017	11,994	55,470	852,538	2,951	557,671	-	1,480,624
Charge for the year	1,474	7,594	138,841	1,662	155,791	-	305,362
Eliminated on disposals	-	-	(28,180)	-	-	-	(28,180)
Eliminated on write offs	-	-	(2,565)	-	(98,569)	-	(101,134)
Translation adjustment	(174)	(536)	(16,003)	(10)	(8,489)	-	(25,212)
At 30 September 2018	13,294	62,528	944,631	4,603	606,404	-	1,631,460
Net book amount							
At 30 September 2018	101,757	334,493	463,474	3,940	1,067,957	173,037	2,144,658
At 30 September 2017	104,019	318,412	486,175	3,547	1,026,218	9,664	1,948,035

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 433,164,000 (2017: Shs 360,828,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 75,791,000 (2017: Shs 61,361,000).

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

Interest expense directly attributable to the acquisition and construction of qualifying assets capitalised during the year amounted to Shs 9,437,000 (2017:Shs Nil)

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 2,565,000 (2017: Shs 25,420,000) and had a carrying value of Shs nil (2017: Shs nil). Bearer plants with a total cost of Shs 98,569,000 (2017:Shs 89,312,000) and a carrying value of Shs nil (2017:Shs nil) were cut out, having reached the end of their productive life.

Based on an impairment review performed by the directors at 30 September 2018, no further indications of impairment of property, plant and equipment were identified. (2017: 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 32 years to 45 years.

Notes to the consolidated financial statements *(Continued)*

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

(b) Company

Cost

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Bearer plants Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2016	2,699	125,128	295,040	1,689	394,806	3,281	822,643
Additions	-	1,622	30,426	813	37,461	1,257	71,579
Transfers	-	775	3,763	-	-	(4,538)	-
Disposals	-	-	(10,712)	-	-	-	(10,712)
Assets written off	-	-	(9,389)	-	(22,675)	-	(32,064)
At 30 September 2017	2,699	127,525	309,128	2,502	409,592	-	851,446
At October 2017	2,699	127,525	309,128	2,502	409,592	-	851,446
Additions	-	-	17,139	40	39,323	2,838	59,340
Transfers	-	2,568	270	-	-	(2,838)	-
Disposals	-	-	(19,346)	-	-	-	(19,346)
Assets written off	-	-	(2,451)	-	(29,155)	-	(31,606)
At 30 September 2018	2,699	130,093	304,740	2,542	419,760	-	859,834

Notes to the consolidated financial statements *(Continued)*

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

(b) Company

Depreciation

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Bearer plants Shs'000	Work in progress Shs'000	Total Shs'000
At 1 October 2016	39	15,563	171,645	882	145,639	-	333,768
Charge for the year	33	2,601	31,399	340	39,516	-	73,889
Eliminated on disposals	-	-	(10,480)	-	-	-	(10,480)
Eliminated on write offs	-	-	(9,389)	-	(22,675)	-	(32,064)
At 30 September 2017	72	18,164	183,175	1,222	162,480	-	365,113
At 1 October 2017	72	18,164	183,175	1,222	162,480	-	365,113
Charge for the year	33	2,484	30,161	455	41,478	-	74,611
Eliminated on disposals	-	-	(17,828)	-	-	-	(17,828)
Eliminated on write offs	-	-	(2,451)	-	(29,155)	-	(31,606)
At 30 September 2018	105	20,648	193,057	1,677	174,803	-	390,290
Net book amount							
At 30 September 2018	2,594	109,445	111,683	865	244,957	-	469,544
At 30 September 2017	2,627	109,361	125,954	1,280	247,112	-	486,333

Included in property, plant and equipment are assets with an original cost of Shs 99,454,000 (2017:Shs 83,670,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 19,032,000 (2017:Shs 15,843,000).

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 2,451,000 (2017: Shs 9,389,000) and had a carrying value of Shs nil (2017: Shs nil). Bearer plants with a total cost of Shs 29,155,000 (2017:Shs 22,675,000) and a carrying value of Shs nil (2017:Shs nil) were cut out, having reached the end of their productive life.

Based on an impairment review performed by the directors as at 30 September 2018, no indications of further impairment of property, plant and equipment were identified. (2017: none).

The company's land titles consist of 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

	Horticultural crops Shs'000	Sisal agricultural produce Shs'000	Total Shs'000
Year ended 30 September 2017			
Carrying amount at start of the year	13,265	462,053	475,318
(Loss)/gain arising from changes in fair value attributable to physical changes	(11,239)	241,439	230,200
Gain arising from changes in fair value attributable to price changes	-	5,860	5,860
Net fair value (loss)/gain	(11,239)	247,299	236,060
Translation adjustment	-	(2,710)	(2,710)
Carrying amount at end of the year	2,026	706,642	708,668
Year ended 30 September 2018			
Carrying amount at start of the year	2,026	706,642	708,668
Gain/(loss) arising from changes in fair value attributable to physical changes	8,203	(25,140)	(16,937)
(Loss) arising from changes in fair value attributable to price changes	-	(6,502)	(6,502)
Net fair value gain/(loss)	8,203	(31,642)	(23,439)
Translation adjustment	-	(12,873)	(12,873)
Carrying amount at end of year	10,229	662,127	672,356

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

(b) Company

Sisal agricultural produce	2018 Shs'000	2017 Shs'000
Carrying amount at start of year	153,131	99,525
(Loss)/gain arising from changes in fair value attributable to physical changes	(4,583)	53,263
(Loss)/gain arising from changes in fair value attributable to price changes of sisal fibre	(12,575)	343
Net fair value (loss)/gain	(17,158)	53,606
Carrying amount at end of year	135,973	153,131

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

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

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

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

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

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

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

	Weeks
Baby corn	12
Chillies	12
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 nature of the crops, the effect would be immaterial.

Notes to the consolidated financial statements *(Continued)*

14. Investment properties

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

Investment properties

	Group and Company	
	2018	**2017**
	Shs'000	**Shs'000**
Cost		
At start of year	12,729	12,729
Depreciation		
At start of year	595	455
Charge for the year	141	140
At year end	736	595
Carrying value at end of year	**11,993**	**12,134**
Fair value	49,500	34,819

The fair values of investment properties at 30 September 2018 are based on the latest known contract price of sales of similar plots.

Notes to the consolidated financial statements *(Continued)*

15. Fair value hierarchy

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

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

Group

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2018			
Biological assets	-	-	672,356
Investment properties	-	49,500	
30 September 2017			
Biological assets	-	-	708,668
Investment properties	-	34,819	-

Company

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2018			
Biological assets	-	-	135,973
Investment properties		49,500	-
30 September 2017			
Biological assets	-	-	153,131
Investment properties		34,819	

The assumptions used to assess the fair value of biological assets are disclosed in Note 13.

The value of the investment properties is based on the latest known contract price of similar plots.

Notes to the consolidated financial statements *(Continued)*

16. Investment in subsidiaries

	Company	
	2018	2017
	Shs'000	Shs'000
Shares in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	55,197	57,558
	189,372	191,733

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	
	2018	2017
	Shs'000	Shs'000
700 shares in Vipingo Beach Limited	10,028	10,028

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

18. Inventories

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre at fair value less estimated cost of sale	282,657	331,431	100,755	97,474
Horticultural produce at fair value less estimated cost of sale	128	112	-	-
Finished goods at lower of cost or net realisable value less provision	62,835	59,935	-	-
Stores and raw materials at lower of cost or net realisable value less provision	219,545	234,203	32,798	37,303
	565,165	625,681	133,553	134,777

19. Receivables and prepayments

Trade receivables	32,765	25,802	10,648	598
Prepayments	44,794	32,822	5,563	5,657
Amount due from related parties (Note 30 (iv) & (v))	488,005	383,063	294,311	254,589
Amounts due from group companies (Note 30 (v))	-	-	737,302	131,150
VAT recoverable	365,296	285,543	20,351	34,103
Other receivables	15,123	36,300	413	8,156
	945,983	763,530	1,068,588	434,253

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	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Cash in hand	15,407	16,029	1,728	4,228
Cash at bank				
Current accounts	86,286	156,607	9,798	31,107
Deposit accounts – Ksh				
Call deposits	326,149	-	313,530	-
Term deposits	-	-	-	-
	326,149	-	313,530	-
Deposit accounts – USD				
Call deposits	207,586	-	207,586	-
Term Deposits	-	208,098	-	208,098
	533,735	208,098	521,116	208,098
Total cash at bank	620,021	364,705	530,914	239,205
Total cash and cash equivalents	635,428	380,734	532,642	243,433

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

	2018	2017	2018	2017
Call deposit - Ksh	6.6%	-	6.55%	-
Call deposit - USD	2.15%	-	2.15%	-
Term deposit – Ksh	-	-	-	-
- USD	-	3.5%	3.5%	3.5%

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

Notes to the consolidated financial statements *(Continued)*

21. Assets classified as held for sale

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 and certain of the land titles were included in the previous two years. The remaining land titles were transferred in the current year.

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

(a) Assets held for sale comprise:

	Group and Company		
		Disposals during the year	At 30.09.18
	Shs'000	Shs'000	Shs'000
Land	22,918	(22,918)	-

(b) Profit on sale of land

	Group and Company	
	2018	2017
	Shs'000	Shs'000
Consideration receivable	1,053,867	151,253
Less: legal costs incurred	(2,846)	(1,488)
Net consideration receivable	1,051,021	149,765
Carrying value of land	(22,918)	(2,369)
Profit on disposal before tax	1,028,103	147,396
Capital gains tax paid	(52,673)	(7,356)
Profit on disposal after tax	975,430	140,040

Notes to the consolidated financial statements *(Continued)*

22. Share capital

Authorised, issued and fully paid	Number of shares (Thousands)	Ordinary shares Shs'000	Share Premium Shs'000
Balance at 1 October 2016, 1 October 2017 and 30 September 2018	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% (2017: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
At start of year	575,699	481,430	120,611	99,077
Tax charge/(credit) recognised in profit or loss (Note 9 (a))	15,949	90,610	(8,381)	17,515
Tax (credit)/charge recognised in other comprehensive (loss)/income (Note 9(b))	(4,423)	5,937	(3,333)	4,019
Re-allocation of retirement benefit asset	-	-	(194)	-
Translation adjustment	(10,765)	(2,278)	-	-
At end of year	576,460	575,699	108,703	120,611

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

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Deferred tax assets	(2,905)	(3,002)	-	-
Deferred tax liabilities	579,365	578,701	108,703	120,611
	576,460	575,699	108,703	120,611

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

	1.10.2017	Charged/ (credited) to profit or loss	Credited to other comprehensive (loss)/income	Translation adjustment	30.9.2018
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities					
Accelerated tax depreciation	445,675	31,145	-	(8,168)	468,652
Horticultural crops	607	2,461	-	-	3,068
Sisal agricultural produce at point of harvest	211,993	(9,492)	-	(3,862)	198,639
Post employment benefit asset	18,657	4,450	(4,423)	-	18,684
	676,932	28,564	(4,423)	(12,030)	689,043
Deferred tax assets					
Provisions	(101,233)	(12,615)	-	1,265	(112,583)
Net deferred tax liability	575,699	15,949	(4,423)	(10,765)	576,460

Notes to the consolidated financial statements *(Continued)*

23. Deferred tax *(continued)*

Company

	1.10.2017	Credited to profit or loss	Credited to other comprehensive (loss)/income	Transfer from related company	30.09.2018
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities					
Property, plant and equipment	105,267	(576)	-	-	104,691
Sisal agricultural produce at point of harvest	45,940	(5,147)	-	-	40,793
Post employment benefit asset	12,640	3,531	(3,333)	(194)	12,644
	163,847	(2,192)	(3,333)	(194)	158,128
Deferred tax assets					
Provisions	(43,236)	(6,189)	-	-	(49,425)
Net deferred tax liability	120,611	(8,381)	(3,333)	(194)	108,703

Notes to the consolidated financial statements *(Continued)*

24. Post employment benefit obligations/(asset)

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Post employment benefit obligations/(asset) comprise:				
(a) Staff retirement gratuity	256,815	226,708	108,386	98,379
(b) Defined benefit retirement scheme	(62,286)	(62,194)	(42,149)	(42,134)

(a) Staff retirement gratuity

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

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
At start of year	226,708	206,287	98,379	88,460
Charged to profit or loss	41,203	35,997	23,805	19,319
Utilised during year	(9,170)	(15,188)	(13,798)	(9,400)
Translation adjustment	(1,926)	(388)	-	-
At end of year	256,815	226,708	108,386	98,379

(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 2021.

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

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Present value of funded obligations	265,067	251,848	179,359	170,609
Fair value of scheme assets	(353,016)	(334,049)	(238,870)	(226,296)
Effect of asset ceiling	25,663	20,007	17,362	13,553
Net asset in statement of financial position	(62,286)	(62,194)	(42,149)	(42,134)

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 2018 Shs'000	2017 Shs'000
Opening defined benefit asset	(62,194)	(32,375)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	990	1,896
Interest on obligation	34,111	32,555
Interest on effect of asset ceiling	2,741	4,759
Interest income on plan assets	(45,778)	(42,434)
Net credit for the year included in staff costs (Note 7)	(7,936)	(3,224)
Employer's contributions	(6,898)	(6,804)
Amount recognised in other comprehensive income:		
Actuarial gain – obligation	(15,174)	(2,838)
Return on plan assets (excluding amount in interest cost)	27,001	174
Change in effect of asset ceiling (excluding amount in interest cost)	2,915	(17,128)
Total amount recognised in other comprehensive income	14,742	(19,792)
Defined benefit asset at the end of the reporting period	(62,286)	(62,194)
Reconciliation of benefit obligation		
Opening benefit obligation	251,848	220,796
Current service cost	990	1,896
Interest cost	34,111	32,555
Employee contributions	3,580	3,242
Actuarial (gain)/loss – change of assumptions	(3,251)	(2,838)
Actuarial loss - experience	(11,923)	-
Benefits paid	(10,288)	(3,803)
Closing benefit obligation	265,067	251,848
Reconciliation of assets		
Opening market value of assets	(334,049)	(285,545)
Interest income on plan assets	(45,778)	(42,434)
Employer contributions	(6,898)	(6,805)
Employee contributions	(3,580)	(3,242)
Return on plan assets	27,001	174
Benefits paid	10,288	3,803
Closing market value of assets	(353,016)	(334,049)

Notes to the consolidated financial statements *(Continued)*

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

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

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

	Company	
	2018	**2017**
	Shs'000	**Shs'000**
Opening defined benefit asset	(42,134)	(21,933)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	670	1,284
Interest on obligation	23,081	22,054
Interest on effect of asset ceiling	1,855	3,224
Interest income on plan assets	(30,976)	(28,746)
Net credit for the year included in staff costs	(5,370)	(2,184)
Employer's contributions	(4,668)	(4,619)
Transfer from related company	(1,086)	-
Amount recognised in other comprehensive income	11,109	(13,398)
Defined benefit asset at the end of the reporting period	(42,149)	(42,134)

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.

	2018	2017
- discount rate	12.80%	13.70%
- future salary increases	8.0%	10.0%
- future pension increases	0%	0%

Other disclosures

Characteristics and Risks of the Scheme:

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

Asset ceiling

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

Sensitivity of the Results:

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

Present value of obligation

2018

	Ksh'000 Current Discount Rate (12.8%)	Ksh'000 Discount Rate – 1% (11.8%)
	265,100	264,700

2017

	Ksh'000 Current Discount Rate (13.7%)	Ksh'000 Discount Rate – 1% (12.7%)
	251,800	257,300

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 2018 is 0.2 (2017: 2.2)

Notes to the consolidated financial statements *(Continued)*

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

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

Scheme assets

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

	2018		2017	
	Shs'000	%	Shs'000	%
Government securities	182,542	51.7	154,275	47.3
Quoted equities	94,231	26.7	91,544	27.9
Commercial paper and corporate bonds	33,167	9.4	34,806	12.2
Fixed deposits	34,836	9.9	52,081	12.0
Cash and contributions due	1,679	0.4	1,343	0.6
Offshore investments	6,561	1.9	-	-
	353,016	100.0	334,049	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	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Defined contribution benefit scheme	4,698	4,386	2,588	2,476

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	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
National Social Security Fund	42,480	40,474	3,016	2,978

Notes to the consolidated financial statements *(Continued)*

25. Borrowings

	Group	
	2018	2017
	Shs'000	Shs'000
Bank loan	117,801	-
Letter of credit	9,844	
Total borrowings	127,645	-
Less current portion	(20,843)	-
Non-current portion	106,802	-
Maturity of non-current loan		
Between 1 and 2 years	22,486	-
Between 2 and 5 years	84,316	-
	106,802	-

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

The outstanding loan balance as at the end of the year was Euros 999,327

The effective interest rate for the loan at the year end was 3%.

26. Payables and accrued expenses

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	64,031	63,747	10,062	17,833
Amount due to related parties (Note 30 (iv) & (v))	9,192	10,009	1,046	2,457
Amounts due to group companies (Note 30 (v))	-	-	15,352	14,912
Provision for leave pay	36,268	34,738	15,900	14,916
Accrued expenses	25,977	25,364	97,581	22,088
Other payables	190,596	43,310	9,740	9,310
	326,064	177,168	149,681	81,516

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

Notes to the consolidated financial statements *(Continued)*

27. Contingent liabilities

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

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

28. Commitments

Capital commitments

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

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Authorised and contracted for	39,259	46,021	660	-

Operating lease commitments

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

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	5,082	6,597	5,082	4,992
Between 2 and 5 years	9,686	14,625	9,686	14,625
Over 5 years	-	-	-	-
	14,768	21,222	14,768	19,617

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

Notes to the consolidated financial statements *(Continued)*

29 (a) Note to the consolidated statement of cash flows

	Group 2018 Shs'000	2017 Shs'000
Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	1,639,781	1,303,872
Adjustment for:		
Defined benefit retirement scheme credit recognised in profit for the year (Note 24 (b))	(7,936)	(3,224)
Employer's contributions to defined benefit retirement scheme (Note 24 b))	(6,898)	(6,804)
Net exchange loss on borrowings	400	-
Net exchange loss on loan to parent company	7,805	919
Finance costs recognised in the profit for the year	1,496	102
Interest receivable recognised in the profit for the year	(91,377)	(58,199)
Depreciation of property, plant and equipment (Note 12)	305,362	288,106
Depreciation of investment property (Note 14)	141	140
Fair value adjustment of biological assets (Note 13)	23,439	(236,060)
Profit on sale of property, plant and equipment	(7,553)	(6,407)
Profit on sale of land (Note 21 (b))	(975,430)	(140,040)
Operating profit before working capital changes	889,230	1,142,405
Working capital changes		
- receivables and prepayments	(96,682)	510,184
- inventories	47,256	175,009
- payables and accrued expenses	152,993	(17,371)
- Staff retirement gratuity	32,033	20,809
Net cash generated from operations	1,024,830	1,831,036

(i) Analysis of changes in loan to parent company.

	2018 Shs'000	2017 Shs'000
At 1 October	158,285	-
Loan advanced	817,569	672,685
Loan repaid	(709,160)	(520,423)
Interest receivable	10,858	6,942
Interest received	(17,291)	-
Exchange adjustment	(7,805)	(919)
At 30 September	252,456	158,285

(ii) Analysis of changes in bank loan

	2018 Shs'000	2017 Shs'000
At 1 October	-	-
Loan received during the year	117,401	-
Letter of credit issued in the year	9,844	-
Exchange adjustments	400	-
	127,645	-

Notes to the consolidated financial statements *(Continued)*

29(b) Note to the company statement of cash flows

	Company	
	2018	**2017**
	Shs'000	**Shs'000**
Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	1,974,686	1,012,312
Adjustments for:		
Re-allocation of defined benefit pension scheme	(1,733)	-
Defined benefit retirement scheme credit recognised in profit for the year (Note 24(b))	(5,370)	(2,184)
Employer's contributions to defined benefit retirement scheme (Note 24(b))	(4,668)	(4,619)
Net exchange loss on loan to parent company	7,805	919
Interest receivable recognised in profit for the year	(89,426)	(49,734)
Depreciation of property, plant and equipment (Note 12)	74,611	73,889
Depreciation of investment properties (Note 14)	141	140
Profit on sale of property, plant and equipment	(5,339)	(3,496)
Profit on sale of land (Note 21(b))	(975,430)	(140,040)
Fair value adjustment of sisal agricultural produce	17,158	(53,606)
Operating profit before working capital changes	992,435	833,581
Working capital changes		
- receivables and prepayments	(540,164)	388,267
- inventories	1,224	35,807
- payables and accrued expenses	68,165	(6,493)
- Staff retirement gratuity	10,007	9,919
Net cash generated from operations	531,667	1,261,081

(i) Analysis of changes in loan to parent company

	2018	2017
At 1 October	158,258	-
Loan advanced	817,569	672,685
Loan repaid	(709,160)	(520,423)
Interest receivable	10,858	6,942
Interest received	(17,291)	-
Exchange adjustment	(7,805)	(919)
At 30 September	252,456	158,285

Notes to the consolidated financial statements *(Continued)*

30. Related party transactions

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

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

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

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:

(i) Sales of goods and services

	Group	
	2018 Shs'000	**2017 Shs'000**
Wigglesworth & Company Limited – UK		
Sale of sisal fibre and yarns	2,837,934	2,958,932
Afchem Limited – Management Services	240	240
REA Trading Limited - Interest receivable	10,858	6,941
	2,849,032	2,966,113

(ii) Purchase of management and legal services

Kaplan & Stratton	2,720	2,747
REA Trading Limited	4,115	8,231
Chequered Flag Limited	83	134
	6,918	11,112

(iii) Key management compensation

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

Salaries and other short term benefits	121,460	121,975
Post employment benefits	1,482	1,394
Directors fees	3,720	3,480
	126,662	126,849

Notes to the consolidated financial statements *(Continued)*

30. Related party transactions *(continued)*

	Group 2018 Shs'000	Group 2017 Shs'000
(iv) Outstanding balances		
Current receivables (Note 19)		
Wigglesworth & Company Limited – UK	235,524	224,752
Afchem Limited	25	26
REA Trading Limited	252,456	158,285
	488,005	383,063
Current payables (Note 26)		
Wigglesworth & Company Limited - UK	9,141	9,949
Chequered Flag Limited	51	60
	9,192	10,009

(v) Outstanding balances	Company 2018 Shs'000	Company 2017 Shs'000
Current receivables (Note 19)		
Amounts due from group companies		
Amboni Plantations Limited	11,378	1,344
Wigglesworth Exporters Limited	8,428	7,506
Dwa Estate Limited	717,496	122,300
	737,302	131,150
Amount due from related parties		
Wigglesworth & Company Limited – UK	41,830	96,278
Afchem Limited	25	26
REA Trading Limited	252,456	158,285
	294,311	254,589

The amount due from REA Trading Limited relates to an unsecured short term loan. Interest is charged upon the loan at a rate of 3% per annum.

Notes to the consolidated financial statements *(Continued)*

30. Related party transactions *(continued)*

	Company	
	2018	**2017**
(v) Outstanding balances (continued)	**Shs'000**	**Shs'000**
Current payables (Note 26)		
Amounts due to group companies		
Amboni Spinning Mill Limited	15,352	14,912
Amount due to related parties		
Wigglesworth & Company Limited – UK	1,046	2,413
Chequered Flag Limited	-	44
	1,046	2,457

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 22nd March 2019 and at any adjournment thereof.

Signature ______________________________ Date ______________ 2019

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 Wednesday 20th March 2019.

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.

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

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First Fold

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