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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

Independent auditors

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

Principal Bankers

NCBA Bank Kenya Plc
Upper Hill,
P.O. Box 30437, Nairobi 00100

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

Advocates

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

Notice of meeting

Notice is hereby given that the twenty fifth annual general meeting of the company will be held at Jacaranda Hotel, Woodvale Close, Nairobi on Friday 27 March 2020, 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 2019.
3. To confirm the payment of interim dividends amounting to Shs 2.60 per share (52%) and to confirm the recommendation of the directors that no final dividend be paid in respect of the year ended 30th September 2019.
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 2020.
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 2020

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

Most of Kenya suffered from a severe drought in the early part of 2019 which presented our estates with a number of operational challenges. Despite these challenges, the group has produced a satisfactory result for the year.

Overall volumes increased by 4.0% over the previous year to 20,014 tonnes with the Tanzanian estates having another productive year. Operating costs inevitably were higher particularly with respect to direct wages and non-wage benefits and other costs associated with the employment of a large number of people.

The sisal market was generally stable throughout the period and the group was, and continues to be, well sold. The only stock that was unsold at year end was some of the sub-standard fibre that was produced in much larger quantities than normal during the drought in Kenya, and to a lesser extent also in Tanzania. Virtually all of this stock has now been cleared.

Turnover for the year was slightly lower than the previous year at Shs 3.37 billion and profit before tax was Shs 78.43 million less than the previous year (after removing profit on the sale of land) at Shs 585.92 million. The very high level of sub-standard fibre produced as a result of the drought, the relatively strong shillings in both Kenya and Tanzania and generally slightly higher operating costs contributed to the reduction in profitability.

The Tanga spinning mill produced and sold 2,521 tonnes, slightly more than the previous year. Sales of spun product into the international market continued to face severe price challenges and volumes were lower than previous years. Fortunately, sales into the regional markets improved further and were particularly strong during the middle part of the financial period.

The Dwa horticulture division saw further substantial growth in the seed business which produced a useful return; a further, fairly major increase in this business is expected in 2020. Baby corn sales were at times erratic but continue to produce a contribution.

Construction of the Dwa biomass energy generating plant proceeded well through the year albeit that there have been some delays and commissioning of the project will not take place until the end of the first quarter of 2020. Once operational, 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 Vipingo estate continues, following the sale and lease back of land some years ago, to operate normally and some 179 hectares of new sisal was planted during the year. The owners of the land, Centum Investment Company Limited, have started some real estate developments but the areas involved are modest relative to the size of the estate and should not affect production from the estate in the immediate future.

Following the dry conditions experienced in the early part of 2019, all estates have received good amounts of rainfall in recent months and are in good condition and producing well. Provided that some reasonable rainfall is received at all locations in April/May, production and grades are expected to be good across the group.

The trade and political tensions currently affecting the world inevitably bring some uncertainties but, for now at least, sales are satisfactory and prices stable.

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.

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Oliver Fowler
Chairman
30 January 2020

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 2019, in accordance with Section 653 (i) of the Kenyan Companies Act, 2015, which disclose the state of affairs of the group and the company.

Incorporation and registered office

The company is incorporated in Kenya under the Kenyan Companies Act, 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 15.

Business Review

Overall the group had a satisfactory year given the climatic challenges experienced. Fibre production was 20,014 tonnes, an increase of 4.5% over the previous year's production of 19,137 tonnes. The Tanga spinning mill produced 2,521 tonnes (2018: 2,452 tonnes) of spun product.

The Kenyan estates both suffered periods of severe drought that impacted materially on the quality of fibre produced with the result that exceptionally high amounts of sub-standard fibre were produced during the period March to July.

With the exception of some sub-standard fibre, 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 2019 and crops are stated for the whole year ended on that date and referred to as the 2019 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	3,247
Older sisal	497
Immature sisal	1,544
Nurseries	149
Other areas	3,409
Horticulture	111
	8,957

Overall rainfall at Dwa during the year was well below average particularly during the March/April period. A total of 7,033 tonnes of fibre was baled on the estate (2018: 6,636 tonnes). Although the overall volume was higher than previous years, the volume of sub-standard fibre was much higher than normal.

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 2019, some 550 hectares of new sisal were planted. It is intended that going forward Dwa will plant in the region of 500 hectares per annum.

The rains during November and December 2019 have been good and, providing that the estate receives reasonable rainfall in April, 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 three years Dwa has successfully developed a seed production business which increased in size in 2019 and is expected to increase further in 2020. This now forms the back bone of Dwa's non-sisal agricultural activities.

The construction of a biomass power generation plant, which was commenced in the previous year, made good progress and it is anticipated that the plant will become operational in the first half of the current year. Once operational, the estate will be self sufficient in power and will have a new revenue stream from the sale of power to the national grid.

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	2,371
Older sisal	656
Immature sisal	556
Nurseries	54
Other areas	642
	4,279

The November rains completely failed at Vipingo with the result that the estate became very short of leaf by March and what leaf there was, was severely moisture stressed. Production during the period April to July was low and the grade mix unsatisfactory. Production was 4,392 tonnes (2018 – 4,455 tonnes) including a large quantity of sub-standard fibre.

From May to December 2019 the estate has had good well distributed rain and production has returned to normal.

The annual replant at Vipingo is carried out, in the main, prior to the April rains and during 2019 some 205 hectares were planted.

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 15,330 hectares made up as follows:

	Hectares
Mature sisal	3,511
Older sisal	1,595
Immature sisal	1,408
Nurseries	102
Other areas	8,714
	15,330

Unlike the Kenyan estates, the Tanzanian estates had good rainfall during the year. Labour availability was consistently good and the overall production for the year was significantly better at 8,589 tonnes than the previous year (2018 – 8,046 tonnes).

Replanting in Tanzania is largely carried out prior to the April rains and in 2019 a total area of 356 hectares were planted.
The estates have a good leaf position and have received some rain since the start of the new financial period, and so, provided the April rains are satisfactory, should continue to produce at, or above, the level achieved in 2019.

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 were particularly strong and represented 84% of the total sales. Sales into the international market were disappointing and volumes considerably lower than previous years. Total production was 2,521 tonnes (2018 – 2,452 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 2019. 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 1.50 per share and Shs 1.10 per share amounting to Shs 156,000,000 (2018: 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 2019 (2018: 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 group's and 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 group's and 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 2020

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 2020 and signed on its behalf by:

N.R. Cuthbert   Director

O.M. Fowler   Director

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

Report on the Audit of the Consolidated and Company financial statements

Opinion

We have audited the accompanying financial statements of REA Vipingo Plantations Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 14 to 86, which comprise the consolidated and company statements of financial position as at 30 September 2019 and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and 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 financial position of the Group and of the Company at 30 September 2019 and of their 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 company financial statements and our auditor's report thereon.

Our opinion on the consolidated and company 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 company 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 company 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 Company 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 company 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 company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company 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 company 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 scepticism 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 Company 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 company financial statements.

Certified Public Accountants (Kenya)
Mombasa, Kenya
30 January 2020
CPA Iqbal P Karim – P/No. 1895

Signing partner responsible for the independent audit

Consolidated statement of profit or loss and other comprehensive income

	Notes	2019 Shs'000	2018 Shs'000
Revenue	5	3,379,404	3,416,698
Net loss arising from changes in fair value of biological assets	13 (a)	(11,314)	(23,439)
Cost of production		(1,758,849)	(1,760,807)
Gross profit		1,609,241	1,632,452
Interest receivable		25,028	91,377
Profit on sale of land	22	-	975,430
Other operating income		33,265	28,672
Foreign exchange gain/(losses) – net		31,470	(8,322)
Distribution costs		(123,588)	(115,369)
Administrative expenses		(975,219)	(958,848)
Other operating expenses		(8,681)	(4,115)
Finance costs	8	(5,593)	(1,496)
Profit before tax	6	585,923	1,639,781
Tax charge	9 (a)	(201,703)	(278,615)
Profit for the year		384,220	1,361,166

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

Other comprehensive income/(loss)

	Notes	2019 Shs'000	2018 Shs'000
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	25 (b)	(2,314)	(14,742)
Deferred tax credit attributable to remeasurement of defined benefit asset	9 (b)	694	4,423
Remeasurement of defined benefit asset net of tax		(1,620)	(10,319)
Item that may be reclassified subsequently to profit or loss			
Foreign exchange adjustment on translation of foreign subsidiaries		31,289	(53,524)
Other comprehensive income/(loss) for the year		29,669	(63,843)
Total comprehensive income for the year		413,889	1,297,323
Earnings per share from operations– basic and diluted	10	Shs 6.40	Shs 22.69

Company statement of profit or loss and other comprehensive income

	Notes	2019 Shs'000	2018 Shs'000
Revenue	5	694,530	732,428
Net loss arising from changes in fair value of biological assets	13 (b)	(8,111)	(17,158)
Cost of production		(438,829)	(419,247)
Gross profit		247,590	296,023
Interest receivable		24,227	89,426
Dividends from subsidiaries		143,436	907,597
Profit on sale of land	22	-	975,430
Other income		94,129	102,471
Foreign exchange gain/(losses) - net		9,333	(18,326)
Distribution costs		(36,986)	(37,545)
Administrative expenses		(333,051)	(336,275)
Other operating expenses		(4,060)	(4,115)
Finance costs	8	(986)	-
Profit before tax	6	143,632	1,974,686
Tax charge	9 (a)	(6,870)	(36,546)
Profit for the year		136,762	1,938,140
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	25 (b)	(6,115)	(11,109)
Deferred tax credit attributable to remeasurement of defined benefit asset	9 (b)	1,835	3,333
Other comprehensive loss for the year		(4,280)	(7,776)
Total comprehensive income for the year		132,482	1,930,364

Consolidated statement of financial position

As at 30 September 2019

	Notes	2019 Shs'000	2018 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12 (a)	2,497,933	2,144,658
Right of use asset	15	28,739	-
Investment properties	14	11,852	11,993
Investment in unquoted shares	18	10,028	10,028
Deferred tax assets	24	3,827	2,905
Post employment benefit asset	25 (b)	72,609	62,286
		2,624,988	2,231,870
Current assets			
Inventories	19	697,449	565,165
Biological assets	13 (a)	668,632	672,356
Receivables and prepayments	20	1,227,158	945,983
Tax recoverable	9 (d)	51,816	49,411
Cash and cash equivalents	21	97,142	635,428
		2,742,197	2,868,343
Total assets		5,367,185	5,100,213
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	300,000	300,000
Share premium	23	84,496	84,496
Translation deficit		(291,087)	(322,376)
Retained earnings		3,944,605	3,718,005
Shareholders' funds		4,038,014	3,780,125
Non-current liabilities			
Deferred tax liabilities	24	593,986	579,365
Post employment benefit obligations	25 (a)	278,929	256,815
Borrowings	26	110,074	106,802
Lease liability	28	23,037	-
		1,006,026	942,982
Current liabilities			
Payables and accrued expenses	27	249,728	326,064
Tax payable	9 (d)	7,081	30,199
Borrowings	26	59,337	20,843
Lease liability	28	6,999	-
		323,145	377,106
Total equity and liabilities		5,367,185	5,100,213

The financial statements on pages 14 to 86 were approved for issue by the board of directors on 30 January 2020 and were signed on its behalf by:

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

Company statement of financial position

As at 30 September 2019

	Notes	2019 Shs'000	2018 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12 (b)	455,821	469,544
Investment properties	14	11,852	11,993
Right of use asset	15	7,325	-
Investments in subsidiaries	17	190,719	189,372
Investment in unquoted shares	18	10,028	10,028
Post employment benefit asset	25 (b)	43,625	42,149
		719,370	723,086
Current assets			
Tax recoverable	9 (d)	32,577	2,786
Biological assets	13 (b)	127,862	135,973
Inventories	19	152,481	133,553
Receivables and prepayments	20	1,443,691	1,068,588
Cash and cash equivalents	21	19,650	532,642
		1,776,261	1,873,542
Total assets		2,495,631	2,596,628
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	300,000	300,000
Share premium	23	84,496	84,496
Retained earnings		1,821,844	1,845,362
Shareholders' funds		2,206,340	2,229,858
Non-current liabilities			
Post employment benefit obligations	25 (a)	115,761	108,386
Deferred tax liability	24	106,788	108,703
Borrowings	26	9,384	-
Lease liability	28	4,050	-
		235,983	217,089
Current liabilities			
Payables and accrued expenses	27	49,344	149,681
Lease liability	28	3,964	-
		53,308	149,681
Total equity and liabilities		2,495,631	2,596,628

The financial statements on pages 14 to 86 were approved for issue by the board of directors on 30 January 2020 and were signed on its behalf by:

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

Consolidated statement of changes in equity

Year ended 30 September 2018

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

Year ended 30 September 2019

	Share capital	Share premium	Translation deficit	Retained earnings: Employee benefit reserve	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	300,000	84,496	(322,376)	(18,790)	3,736,795	3,718,005	3,780,125
Profit for the year	-	-	-	-	384,220	384,220	384,220
Other comprehensive income/(loss) for the year	-	-	31,289	(1,620)	-	(1,620)	29,669
Total comprehensive income / (loss) for the year	-	-	31,289	(1,620)	384,220	382,600	413,889
Interim dividends paid	-	-	-	-	(156,000)	(156,000)	(156,000)
At end of year	300,000	84,496	(291,087)	(20,410)	3,965,015	3,944,605	4,038,014

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

Year ended 30 September 2018

	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
At start of year	300,000	84,496	(4,113)	1,059,564	1,055,451	1,439,947
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

Year ended 30 September 2019

	Share capital	Share premium	Retained Earnings: Employee benefit reserve	Retained Earnings: Other	Retained Earnings: Total	Total
At start of year	300,000	84,496	(12,342)	1,857,704	1,845,362	2,229,858
Profit for the year	-	-	-	136,762	136,762	136,762
Other comprehensive loss for the year	-	-	(4,280)	-	(4,280)	(4,280)
Total comprehensive (loss)/ income for the year	-	-	(4,280)	136,762	132,482	132,482
Interim dividends paid	-	-	-	(156,000)	(156,000)	(156,000)
At end of year	300,000	84,496	(16,622)	1,838,466	1,821,844	2,206,340

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	2019 Shs'000	2018 Shs'000
Cash flows from operating activities			
Net cash generated from operations	31 (a)	718,980	1,024,830
Interest received		31,287	97,810
Interest paid on loan	8	(2,257)	(326)
Interest paid on overdraft	8	(1,313)	-
Interest paid on lease liability	8	(1,839)	-
Banking facility fees paid		-	(1,170)
Tax paid	9 (d)	(219,316)	(212,847)
Net cash generated from operating activities		525,542	908,297
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (a)	(661,782)	(536,302)
Net proceeds from disposal of land		-	998,348
Proceeds from disposal of property, plant and equipment		10,577	9,085
Loan advanced to parent company		(536,550)	(817,569)
Proceeds from loan repayments from parent company		239,487	709,160
Net cash (used in)/ generated from investing activities		(948,268)	362,723
Cash flows from financing activities			
Interim dividends paid		(156,000)	(1,140,000)
Proceeds from borrowings		52,675	127,246
Repayment of long term borrowings		(30,066)	-
Repayment of lease liability		(4,773)	-
Net cash used in financing activities		(138,164)	(1,012,754)
(Decrease)/increase in cash and cash equivalents		(560,890)	258,266
Cash and cash equivalents at start of year		635,428	380,734
Effects of exchange rate changes		(189)	(3,572)
Cash and cash equivalents at end of year	21	74,727	635,428

Company statement of cash flows

	Notes	2019 Shs'000	2018 Shs'000
Cash flows from operating activities			
Net cash generated from operations	31 (b)	4,611	531,667
Interest received		30,488	95,859
Interest on lease liability		(802)	-
Tax paid	9 (d)	(36,741)	(38,134)
Net cash (used in)/ generated from operating activities		(2,444)	589,392
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (b)	(64,069)	(59,340)
Proceeds from disposals of property, plant and equipment		2,126	6,858
Net proceeds from disposal of land		-	998,348
Loan advanced to parent company		(536,550)	(817,569)
Proceeds from loan repayment from parent company		239,487	709,160
Net cash (used in)/ generated from investing activities		(359,006)	837,457
Cash flows used in financing activities			
Dividends paid		(156,000)	(1,140,000)
Proceeds from borrowings		9,200	-
Repayment on lease liabilities		(3,396)	-
Net cash used in financing activities		(150,196)	(1,140,000)
Net (decrease)/increase in cash and cash equivalents		(511,646)	286,849
At start of year		532,642	243,433
(Decrease)/increase		(511,646)	286,849
Foreign exchange adjustment		(1,346)	2,360
At end of year	21	19,650	532,642

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 17.

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 2019.

(a) 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:

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the group has applied IFRS 9 Financial Instruments, which is effective for an annual period that begins on or after 1 January 2018.

IFRS 9 replaced IAS 39 "Financial Instruments: Recognition and Measurement", introducing new guidance on the classification and measurement of financial assets, an expected credit loss impairment model, and new hedge accounting requirements. The group completed an impact assessment on transition to IFRS 9, including an assessment of its financial assets under the new impairment model, and concluded there was no impact on the group's equity at 1 October 2018.

The group assessed which business models apply to the financial assets held by the group and classified its financial instruments into the appropriate IFRS 9 categories. Financial assets previously classified as loans, investments and receivables were reclassified as financial assets held at amortised cost. The group's impairment

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2019. (continued)

methodology was revised to adopt the expected credit loss impairment model. There was no impact on the measurement bases of financial assets and as a result no restatement or opening balance reconciliation on transition to IFRS 9 has been presented. There were no changes to the classification or measurement of financial liabilities. IFRS 9 accounting policies now adopted are reflected in the accounting policies presented below

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the group has applied IFRS 15 Revenue from contracts with customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services has been satisfied.

The application of IFRS 15 has not had a significant impact on the group's accounting policies as the nature of the group's revenue is that revenue is recognised at a point in time. The group's accounting policies for its revenue streams are presented below. IFRS 15 has not had a significant impact on the financial position and/or financial performance of the group. Accordingly, there has been no adjustment for any of the financial statement line items as a result of the application of IFRS 15.

(b) The group has early adopted IFRS 16 Leases with effect from 1 October 2018.

IFRS 16 requires lessees to recognise all leases, other than leases with a term not exceeding 12 months or leases of assets of low value, as finance leases.

In order to apply IFRS 16, the company has:

(i) Recognised right of use assets and lease liabilities in the statement of financial position initially measured at the present value of future lease payments.

(ii) Recognised depreciation of right of use assets and interest on lease liabilities in the statement of profit or loss.

(iii) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest in the statement of cash flows.

For short term leases and leases of low value, the company continues to recognise lease expenses on a straight line basis. These expenses are charged to the statement of profit or loss.

Initial application of IFRS 16.

The group has applied Option 2B to the initial application of IFRS 16. This option requires the measurement of lease liabilities at the present value of the outstanding lease payments discounted at the incremental borrowing rate at the date of transition. The right of use asset is stated at the discounted liability. There is, therefore, no impact on the statement of financial position at the date of transition and comparative amounts are not restated.

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

		Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2015–2017		1 January 2019, with earlier application permitted
Amendments to IAS 19	Employee benefits	1 January 2019, with earlier application permitted
IFRIC 23	Uncertainty over income tax treatments	1 January 2019, with earlier application permitted

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

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to three Standards.

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interests in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted. The directors of the group and company do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the group and company do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a company; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the group and company do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

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 17.

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Functional currency and translation of foreign currencies *(continued)*

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.

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Revenue recognition

Revenue represents the net invoiced value of goods and services rendered and is recognized upon transfer of goods to a customer. Revenue is stated net of Value Added Tax (VAT) and discounts where applicable.

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue is recognised as follows:

i. Sisal fibre export sales

The group recognizes revenue when it satisfies a performance obligation by transferring promised goods to a customer (which is when the customer obtains control of the goods). The amount of revenue recognized is the amount allocated to the satisfied performance obligation which is when sisal fibre is dispatched on freight on board (FOB) terms i.e. a point in time when sisal fibre is placed on the vessel.

ii. Local sales

For the sale of agricultural produce to the local market, revenue is recognised when control of the agricultural produce has transferred, being at the point the agricultural produce is delivered to the customer. Payment is due at the point the customer takes control of the agricultural produce.

iii Clearing and Forwarding Services

The group recognises revenue when it satisfies a performance obligation by clearing promised goods at the port (clearing and forwarding). The amount of revenue recognised is the amount allocated to the satisfied performance obligation. A performance obligation is satisfied at a point in time, when the customer obtains control of the service.

iv. Interest income is recognised on a time proportion basis using the effective interest method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

v. Produce grown on contract

Certain horticultural crops are grown on a contract basis. Revenue is recognised upon the harvesting of such crops.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Inventories

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

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

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

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

Property, plant and equipment

All property, plant and equipment, 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.

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

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.

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 group and company assume substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payment. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Accounting for leases *(continued)*

The interest element of 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.

The group and company assess whether a contract is or contains a lease, at inception of the contract. The group recognize a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the group and company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

fixed lease payments (including in-substance fixed payments), less any lease incentives;

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. The group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the group and company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Accounting for leases *(continued)*

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

The group and company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

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.

Taxation

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

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

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

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Post-employment benefit obligations (continued)

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.

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

Investment in subsidiaries

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

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

Impairment of financial assets

The group measures loss allowance equal to lifetime expected credit losses for trade receivables held at amortised cost as these receivables do not contain a significant financing component, since such receivables are normally due for settlement within 30 days from invoice date.

Cash flows relating to short-term receivables (0-12 months) generally are not discounted, unless the effect of doing so would be material. The carrying amount of the asset should be reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss should be included in net profit and loss for the period.

As trade receivables are generally due within 30 days from invoice date, existing provision matrices/ methodologies incorporating both historical and forward looking information may be used to determine the lifetime expected credit losses and therefore measuring the provision for doubtful debts for trade receivables is not expected to change under IFRS 9.

(i) Significant increase in credit risk

At each reporting date, the group measures the loss allowance for a trade measured at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

This assessment is made considering all reasonable and supportable information, including that which is forward looking. Indicators of significant increase in credit risk could include (but not limited to) any of the following:

- significant financial difficulty
- an actual breach of contract, such as a default in interest or principal payments
- a high probability of bankruptcy or other financial reorganization
- the disappearance of an active market due to financial difficulties.

If there is no significant increase in expected losses, then a loss allowance for 12 months must be recognised.

(ii) Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collateral held by the company).

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

Impairment of financial assets *(continued)*

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 30 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The group writes-off debt only when there objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(continued)*

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.

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.

Notes to the consolidated financial statements *(Continued)*

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

b) Key sources of estimation uncertainty (continued)

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 25 (b).

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

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

Changes in actuarial assumptions including mortality of participating members.

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

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

Deferred tax asset

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

Income taxes

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

Notes to the consolidated financial statements *(Continued)*

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

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

At the inception of each lease of land or building, the company 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.

Lease liability

In order to make a judgement to determine the term of the lease and the corresponding lease liability, the directors consider any options regarding extension or termination of the lease contract which may be available and whether it is probable that such options will be exercised.

Unless there is an implicit interest rate contained in the lease contract, the discount rate used to calculate the net present value of the lease liability is the company's incremental borrowing rate. This rate is estimated by the directors to be the rate which would be paid by the company to purchase a similar asset.

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**	
	2019	**2018**	**2019**	**2018**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	1,286,239	1,536,617	1,457,896	1,595,667
Financial liabilities				
Payables	249,728	326,064	49,344	149,681
Borrowings	169,411	127,645	9,384	-
Lease liabilities	30,036	-	8,014	-
	449,175	453,709	66,742	149,681

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	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
US Dollars	758,086	779,615	74,955	13,977
Sterling Pound	-	-	5,768	15,814
Euro	1,025	3,011	102,869	117,801
	759,111	782,626	183,587	147,592
Company				
US Dollars	614,783	503,496	1,577	1,046

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	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Impact on profit or loss:				
Euro	5,092(ii)	5,740 (ii)	-	-
US Dollar	34,157(i)	38,282 (i)	30,660(i)	25,123 (i)
Sterling Pound	288 (ii)	791 (ii)	-	-

(i) Indicates the increase in profit of a weakening of the Kenya Shilling against the US Dollar by 5%. A strengthening of the Kenya Shilling against 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

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 group's and company's profit before tax for the year ended 30 September 2019 would have been decreased/increased as below:

Group		Company	
2019	2018	2019	2018
Shs'000	Shs'000	Shs'000	Shs'000
1,694	1,276	94	-

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 group's current credit risk grading framework comprises the following categories;

Category	**Description**	**Basis for recognizing expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12 month ECL
Doubtful	Amount is > 75 days due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit – impaired
In default	Amount is > 120 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired.
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery.	Amount is written off.

The tables below detail the credit quality of the Group's and Company's financial assets as well as the Group's and Company's maximum exposure to credit risk by credit risk rating grade.

Group

2019	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables		Performing	Lifetime ECL (simplified approach)	25,739	-	25,739
Due from related companies		Performing	Lifetime ECL (simplified approach)	720,233	-	720,233
Other receivables		Performing	Lifetime ECL (simplified approach)	443,125	-	443,125
Bank balances		Investment grade	12 months ECL	86,285	-	86,285
				1,275,382	-	1,275,382

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(continued)*

Credit risk (continued)

Group 2018	Note	Internal/ external rating	Incurred loss model (IAS 39)	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables		Performing	Incurred loss model	32,765	-	32,765
Due from related companies		Performing	Incurred loss model	488,005	-	488,005
Other receivables		Performing	Incurred loss model	380,419	-	380,419
Bank balances		NA	Incurred loss model	620,021	-	620,021
				1,521,210	-	1,521,210

Company

2019	Note	Internal/external rating	12 months or lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables		Performing	Lifetime ECL (simplified approach)	6,056	-	6,056
Due from related companies		Performing	Lifetime ECL (simplified approach)	1,390,048	-	1,390,048
Other receivables		Performing	Lifetime ECL (simplified approach)	42,140	-	42,140
Bank balances		Investment grade	12 months ECL	18,110	-	18,110
				1,456,354	-	1,456,354

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(continued)*

Credit risk (continued)

Company 2018	Note	Internal/ external rating	Incurred loss model (IAS 39)	Gross carrying amount Shs'000	Loss allowance Shs'000	Net amount Shs'000
Trade receivables		Performing	Incurred loss model	10,648	-	10,648
Due from related companies		Performing	Incurred loss model	1,031,613	-	1,031,613
Other receivables		Performing	Incurred loss model	20,764	-	20,764
Bank balances		NA	Incurred loss model	530,914	-	530,914
				1,593,939	-	1,593,939

For trade and other receivables and amounts due from related companies, the group and company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL (which in the case of the Company is the same as the 12-month ECL). The loss allowance is determined individually on specific customer balances.

The simplified approach is used for trade and other receivables and amounts due from related companies given that they are without a financing component. Because the simplified approach is used, an assessment as to whether there has been a significant increase in credit risk for those assets has not been performed.

The Cash and Cash equivalents are carried at gross amount – amortized cost. The loss allowance on cash and cash equivalents, if recognized, would pass through the Profit and Loss account. The current liquid assets have been recognized as the principal amount receivable to the Banks excluding any interest. Bank balances are not restricted and include deposits held with banks that have high credit ratings. Bank balances are thus considered investment grade.

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(continued)*

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**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
2019				
Payables, accrued expenses and other liabilities	249,728	-	-	-
Borrowings	59,332	38,889	61,801	9,384
Deferred charges on borrowings	5,150	3,133	2,373	-
Lease liability	6,999	7,652	11,912	3,473
Deferred charges on lease liability	2,870	2,120	3,444	120
	324,079	51,794	79,530	12,977
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

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	Over 5 years Shs'000
2019				
Payables, accrued expenses and other liabilities	49,344	-	-	-
Borrowings	-	-	-	9,384
Lease liability	3,964	4,050	-	-
Deferred charges on lease liability	487	123	-	-
	53,795	4,173	-	9,384
2018				
Payables, accrued expenses and other liabilities	149,681	-	-	-

Banking facilities

Bank loans and overdrafts payable at call and reviewed annually

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Amounts utilised	160,027	127,645	-	-
Amounts unutilised	449,404	579,471	10,000	10,000
Total available facilities	609,431	707,116	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	
2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
3,714,260	1,696,670	-	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(continued)*

Capital risk management

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

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

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

The capital structure of the group consists of borrowings, 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 company did not have any net borrowings at the end of the previous year.

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

	Group 2019 Shs'000
Total borrowings	169,411
Bank balances and cash	(97,142)
Net borrowings	72,269
Total equity	4,038,014
Net borrowings to equity ratio	2%

5. Total revenue

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Sisal fibre	2,743,724	2,826,457	694,530	732,428
Yarn & Twines	430,857	428,523	-	-
Horticulture	136,568	92,675	-	-
Forwarding services	68,255	69,043	-	-
	3,379,404	3,416,698	694,530	732,428

Notes to the consolidated financial statements *(Continued)*

6. Profit before tax

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
The profit before tax is arrived at after charging / (crediting):				
Depreciation on properties, plant and equipment (Note 12)	329,398	305,362	77,374	74,611
Depreciation on investment properties (Note 14)	141	141	141	141
Depreciation on right of use asset	5,805	-	3,821	-
Operating lease payments	5,375	8,355	1,750	5,853
Staff costs (Note 7)	1,390,728	1,235,771	447,153	433,999
Auditors' remuneration	12,616	11,225	4,225	3,675
Directors' emoluments - fees	4,995	3,720	4,080	3,720
-for management services	69,107	66,862	39,935	36,767
	73,187	70,582	44,015	40,487
Profit on disposal of property, plant and equipment	(10,142)	(7,553)	(1,708)	(5,339)

7. Staff costs

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Salaries and wages	1,237,183	1,089,332	410,714	389,574
National Social Security Fund	50,919	42,480	2,919	3,016
Pension contributions –defined benefit retirement scheme credit (Note 25(b))	(6,515)	(7,936)	(3,913)	(5,370)
Pension contributions – defined contribution scheme	5,219	4,698	2,799	2,588
Gratuity and other terminal benefits	54,661	58,885	17,513	25,363
Medical	49,261	48,312	17,121	18,828
	1,390,728	1,235,771	447,153	433,999
Summary of permanent employees				
Management	55	48	19	19
Supervisory	145	216	54	55
Unionisable	5,117	4,868	1,169	1,163
Others	16	9	7	7
	5,333	5,141	1,249	1,244

Notes to the consolidated financial statements *(Continued)*

8. Finance costs

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Interest on loans	2,441	-	184	-
Interest on overdraft	1,313	326	-	-
Bank facility fees	-	1,170	-	-
Interest on lease liability	1,839	-	802	-
	5,593	1,496	986	-

9. Tax

	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
(a) Tax charge recognised in profit or loss				
Current tax	193,832	262,666	6,950	44,927
Deferred tax charge/(credit) (Note 24)	7,871	15,949	(80)	(8,381)
	201,703	278,615	6,870	36,546

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 2019 Shs'000	Group 2018 Shs'000	Company 2019 Shs'000	Company 2018 Shs'000
Profit before tax	585,923	1,639,781	143,632	1,974,686
Tax calculated at a tax rate of 30%	175,777	491,934	43,089	592,406
Tax effect of:				
Income not subject to tax	(10,535)	(286,973)	(43,031)	(564,908)
Expenses not deductible for tax purposes	34,981	41,505	6,811	8,719
Under/ (over) provision of deferred tax in prior year	1	(726)	1	(176)
Under/(over) provision of current tax in prior years	1,479	1,492	-	(14)
Prior year current tax under provision	-	31,383	-	-
Transfer of defined benefit asset from subsidiary	-	-	-	519
Tax charge	201,703	278,615	6,870	36,546

(b) Tax credit recognised in other comprehensive loss

	Group 2019 Shs'000	Group 2018 Shs'000	Company 2019 Shs'000	Company 2018 Shs'000
Deferred tax credit attributable to remeasurement of net defined benefit asset	(694)	(4,423)	(1,835)	(3,333)

(c) Prior years current tax under provision

Tanzanian Revenue Authority conducted a tax audit on a subsidiary company, Amboni Plantations Limited in 2018 which resulted into additional tax assessments as listed below:

Year of Income	**2018 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	
	2019	**2018**	**2019**	**2018**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At beginning of year	(19,212)	(68,455)	(2,786)	(9,579)
Current year charge	193,832	262,666	6,950	44,927
Tax paid	(219,316)	(212,847)	(36,741)	(38,134)
Translation adjustment	(39)	(576)	-	-
At end of year	(44,735)	(19,212)	(32,577)	(2,786)
Balances at year end				
Tax recoverable	(51,816)	(49,411)	(32,577)	(2,786)
Tax payable	7,081	30,199	-	-
	(44,735)	(19,212)	(32,577)	(2,786)

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	
	2019	**2018**
	Shs'000	**Shs'000**
Profit for the year (Shs '000)	384,220	1,361,166
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	6.40	22.69

There were no potentially dilutive ordinary shares outstanding at 30 September 2019 and at 30 September 2018. Diluted earnings per share are therefore the same as basic earnings per share.

11. Dividends

Interim dividends amounting to Shs 2.60 per share were declared and paid in respect of the year ended 30 September 2019. (2018: Shs 19 per share).

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment

(a) Group

Cost

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Software Shs'000	Bearer plants Shs'000	Work in progress Shs'000	Total Shs'000
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
At 1 October 2018	115,051	397,021	1,408,105	8,543	1,674,361	173,037	3,776,118
Additions	51,376	36,476	121,009	819	201,417	250,685	661,782
Transfers	-	12,927	58,039	-	-	(70,966)	-
Disposals	-	-	(37,311)	-	-	-	(37,311)
Assets written off	-	-	(20,361)	-	(113,042)	-	(133,403)
Translation adjustment	1,779	3,541	16,260	46	17,105	62	38,793
At 30 September 2019	168,206	449,965	1,545,741	9,408	1,779,841	352,818	4,305,979

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 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
At 1 October 2018	13,294	62,528	944,631	4,603	606,404	-	1,631,460
Charge for the year	3,928	8,235	148,341	1,834	167,060	-	329,398
Eliminated on disposals	-	-	(36,876)	-	-	-	(36,876)
Eliminated on write offs	-	-	(20,361)	-	(113,042)	-	(133,403)
Translation adjustment	179	402	11,049	28	5,809	-	17,467
At 30 September 2019	17,401	71,165	1,046,784	6,465	666,231	-	1,808,046
Net book amount							
At 30 September 2019	150,805	378,800	498,957	2,943	1,113,610	352,818	2,497,933
At 30 September 2018	101,757	334,493	463,474	3,940	1,067,957	173,037	2,144,658

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 479,798,000 (2018: Shs 433,164,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 77,427,000 (2018: Shs 75,791,000).

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 6,823,000 (2018: Shs 9,437,000)

During the year, management carried out a review of the working condition of the group's plant and machinery. This review led to the write-off of assets whose total cost was Shs 20,361,000 (2018: Shs 2,565,000) and had a carrying value of Shs nil (2018: Shs nil). Bearer plants with a total cost of Shs 113,042,000 (2018: Shs 98,569,000) and a carrying value of Shs nil (2018: 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 2019, no further indications of impairment of property, plant and equipment were identified. (2018: 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 12 years to 44 years.

Notes to the consolidated financial statements *(Continued)*

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

(b) Company

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 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
At October 2018	2,699	130,093	304,740	2,542	419,760	-	859,834
Additions	-	279	15,566	398	40,868	6,958	64,069
Transfers	-	555	6,083	-	-	(6,638)	-
Disposals	-	-	(9,121)	-	-	-	(9,121)
Assets written off	-	-	(7,791)	-	(36,377)	-	(44,168)
At 30 September 2019	2,699	130,927	309,477	2,940	424,251	320	870,614

Notes to the consolidated financial statements *(Continued)*

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

(b) Company

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 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
At 1 October 2018	105	20,648	193,057	1,677	174,803	-	390,290
Charge for the year	33	2,511	31,545	344	42,941	-	77,374
Eliminated on disposals	-	-	(8,703)	-	-	-	(8,703)
Eliminated on write offs	-	-	(7,791)	-	(36,377)	-	(44,168)
At 30 September 2019	138	23,159	208,108	2,021	181,367	-	414,793
Net book amount							
At 30 September 2019	2,561	107,768	101,369	919	242,884	320	455,821
At 30 September 2018	2,594	109,445	111,683	865	244,957	-	469,544

Included in property, plant and equipment are assets with an original cost of Shs 99,639,000 (2018:Shs 99,454,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 18,933,302 (2018:Shs 19,032,000)

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 7,791,000 (2018: Shs 2,451,000) and had a carrying value of Shs nil (2018: Shs nil). Bearer plants with a total cost of Shs 36,377,000 (2018: Shs 29,155,000) were also cut out having reached the end of their productive life.

Based on an impairment review performed by the directors as at 30 September 2019, no indications of further impairment of property, plant and equipment were identified. (2018: 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 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 the year	10,229	662,127	672,356
Year ended 30 September 2019			
Carrying amount at start of the year	10,229	662,127	672,356
Gain/(loss) arising from changes in fair value attributable to physical changes	6,087	(9,080)	(2,993)
Loss arising from changes in fair value attributable to price changes	-	(8,321)	(8,321)
Net fair value gain/(loss)	6,087	(17,401)	(11,314)
Translation adjustment	-	7,590	7,590
Carrying amount at end of year	16,316	652,316	668,632

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(continued)*

(b) Company

Sisal agricultural produce	2019 Shs'000	2018 Shs'000
Carrying amount at start of year	135,973	153,131
Loss arising from changes in fair value attributable to physical changes	(9,243)	(4,583)
Gain/(loss) arising from changes in fair value attributable to price changes of sisal fibre	1,132	(12,575)
Net fair value loss	(8,111)	(17,158)
Carrying amount at end of year	127,862	135,973

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	
	2019	**2018**
	Shs'000	**Shs'000**
Cost		
At start of year	12,729	12,729
Depreciation		
At start of year	736	595
Charge for the year	141	141
At year end	877	736
Carrying value at end of year	11,852	11,993
Fair value	49,500	49,500

The fair values of investment properties at 30 September 2019 are based on the value of a recent plot purchase. In the opinion of the directors, these valuations were still relevant at the end of the reporting period.

Notes to the consolidated financial statements *(Continued)*

15. Right of use asset

	Group	Company
	2019	2019
	Shs'000	Shs'000
Cost		
At 1 October 2018	-	-
Additions	34,544	11,146
At 30 September 2019	34,544	11,146
Depreciation		
At 1 October 2018	-	-
Charge for the year	5,805	3,821
At 30 September 2019	5,805	3,821
Net book amount		
At 30 September 2019	28,739	7,325
At 30 September 2018	-	-

The right of use asset relates to agricultural land held under licence to occupy and warehousing and office facilities held under lease.

The group adopted IFRS 16 with effect from 1 October 2018. The cost of the right of use asset at that date represents the present value of the outstanding lease payments at that date discounted at the incremental borrowing rate.

IFRS 16 requires that right of use assets be tested for impairment in accordance with IAS 36. An impairment review performed by the directors at 30 September 2019 did not identify any impairment in the carrying value of the right of use asset.

Notes to the consolidated financial statements *(Continued)*

16. 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 2019			
Biological assets	-	-	668,632
Investment properties	-	49,500	-
30 September 2018			
Biological assets	-	-	672,356
Investment properties	-	49,500	

Company

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2019			
Biological assets	-	-	127,862
Investment properties	-	49,500	
30 September 2018			
Biological assets	-	-	135,973
Investment properties	-	49,500	-

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)*

17. Investment in subsidiaries

	Company	
	2019	**2018**
	Shs'000	**Shs'000**
Shares in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	56,544	55,197
	190,719	189,372

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)*

18. Investment in unquoted shares – at cost

	Group and Company	
	2019	2018
	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.

19. Inventories

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre at fair value less estimated cost of sale	399,960	282,657	119,581	100,755
Horticultural produce at fair value less estimated cost of sale	14	128	-	-
Finished goods at lower of cost or net realisable value less provision	75,682	62,835	-	-
Stores and raw materials at lower of cost or net realisable value less provision	221,793	219,545	32,900	32,798
	697,449	565,165	152,481	133,553

20. Receivables and prepayments

Trade receivables	25,739	32,765	6,057	10,648
Prepayments	38,061	44,794	5,445	5,563
Amount due from related parties (Note 32 (iv) & (v))	720,233	488,005	613,566	294,311
Amounts due from group companies (Note 32 (v))	-	-	776,482	737,302
VAT recoverable	432,079	365,296	40,909	20,351
Other receivables	11,046	15,123	1,232	413
	1,227,158	945,983	1,443,691	1,068,588

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)*

21. Cash and cash equivalents

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Cash in hand	10,857	15,407	1,540	1,728
Cash at bank				
Current accounts	86,285	86,286	18,110	9,798
Deposit accounts – Ksh				
Call deposits	-	326,149	-	313,530
Deposit accounts – USD				
Call deposits	-	207,586	-	207,586
	-	533,735	-	521,116
Total cash at bank	86,285	620,021	18,110	530,914
Total cash and cash equivalents	97,142	635,428	19,650	532,642

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

	2019	2018	2019	2018
Call deposit – Ksh	-	6.6%	-	6.55%
Call deposit – USD	-	2.15%	-	2.15%

For the purposes of the cash flow statements the year end cash and cash equivalents comprise the following:

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Cash at bank and in hand as above	97,142	635,428	19,650	532,642
Bank overdraft (Note 26)	(22,415)	-	-	-
	74,727	635,428	19,650	532,642

Notes to the consolidated financial statements *(Continued)*

22. Profit on sale of land

	Group and Company 2018 Shs'000
Consideration receivable	1,053,867
Less: legal costs incurred	(2,846)
Net consideration receivable	1,051,021
Carrying value of land	(22,918)
Profit on disposal before tax	1,028,103
Capital gains tax paid	(52,673)
Profit on disposal after tax	975,430

Notes to the consolidated financial statements *(Continued)*

23. Share capital

	Number of shares (Thousands)	Share Capital Shs'000	Share Premium Shs'000
Authorised, issued and fully paid			
Balance at 1 October 2017, 1 October 2018 and 30 September 2019	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.

24. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2018: 30%). The movement on the deferred tax account is as follows:

	Group 2019 Shs'000	Group 2018 Shs'000	Company 2019 Shs'000	Company 2018 Shs'000
At start of year	576,460	575,699	108,703	120,611
Tax charge/(credit) recognised in profit or loss (Note 9 (a))	7,871	15,949	(80)	(8,381)
Tax credit recognised in other comprehensive income/(loss) (Note 9(b))	(694)	(4,423)	(1,835)	(3,333)
Re-allocation of retirement benefit asset	-	-	-	(194)
Translation adjustment	6,522	(10,765)	-	-
At end of year	590,159	576,460	106,788	108,703

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

	Group 2019 Shs'000	Group 2018 Shs'000	Company 2019 Shs'000	Company 2018 Shs'000
Deferred tax assets	(3,827)	(2,905)	-	-
Deferred tax liabilities	593,986	579,365	106,788	108,703
	590,159	576,460	106,788	108,703

Notes to the consolidated financial statements *(Continued)*

24. Deferred tax *(continued)*

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

Group

	1.10.2018	Charged/ (credited) to profit or loss	Credited to other comprehensive income	Translation adjustment	30.9.2019
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities					
Accelerated tax depreciation	468,652	11,801	-	5,082	485,535
Horticultural crops	3,068	1,826	-	-	4,894
Sisal agricultural produce at point of harvest	198,639	(5,221)	-	2,277	195,695
Post employment benefit asset	18,684	3,791	(694)	-	21,781
Right of use asset	-	8,621	-	-	8,621
	689,043	20,818	(694)	7,359	716,526
Deferred tax assets					
Provisions	(112,583)	(3,938)	-	(837)	(117,358)
Lease liability	-	(9,009)	-	-	(9,009)
	(112,583)	(12,947)	-	(837)	(126,367)
Net deferred tax liability	576,460	7,871	(694)	6,522	590,159

Notes to the consolidated financial statements *(Continued)*

24. Deferred tax *(continued)*

Company

	1.10.2018 Shs'000	Credited to profit or loss Shs'000	Credited to other comprehensive income Shs'000	30.09.2019 Shs'000
Deferred tax liabilities				
Property, plant and equipment	104,691	(996)	-	103,695
Agricultural produce at point of harvest	40,793	(2,433)	-	38,360
Post employment benefit asset	12,644	2,277	(1,835)	13,086
Right of use asset	-	2,197	-	2,197
	158,128	1,045	(1,835)	157,338
Deferred tax assets				
Provisions	(49,425)	1,278	-	(48,147)
Lease liability	-	(2,403)	-	(2,403)
	(49,425)	(1,125)	-	(50,550)
Net deferred tax liability	108,703	(80)	(1,835)	106,788

Notes to the consolidated financial statements *(Continued)*

25. Post employment benefit obligations/ (asset)

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Post employment benefit obligations/(asset) comprise:				
(a) Staff retirement gratuity	278,929	256,815	115,761	108,386
(b) Defined benefit retirement scheme	(72,609)	(62,286)	(43,625)	(42,149)

(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	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
At start of year	256,815	226,708	108,386	98,379
Charged to profit or loss	42,336	41,203	17,189	23,805
Utilised during year	(21,548)	(9,170)	(9,814)	(13,798)
Translation adjustment	1,326	(1,926)	-	-
At end of year	278,929	256,815	115,761	108,386

(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	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Present value of funded obligations	297,441	265,067	178,702	179,359
Fair value of scheme assets	(397,044)	(353,016)	(238,544)	(238,870)
Effect of asset ceiling	26,994	25,663	16,217	17,362
Net asset in statement of financial position	(72,609)	(62,286)	(43,625)	(42,149)

Notes to the consolidated financial statements *(Continued)*

25. 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	
	2019 Shs'000	**2018 Shs'000**
Opening defined benefit asset	(62,286)	(62,194)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	1,505	990
Interest on obligation	34,049	34,111
Interest on effect of asset ceiling	3,283	2,741
Interest income on plan assets	(45,352)	(45,778)
Net credit for the year included in staff costs (Note 7)	(6,515)	(7,936)
Employer's contributions	(6,122)	(6,898)
Amount recognised in other comprehensive income/ (loss):		
Actuarial gain – obligation	348	(15,174)
Return on plan assets (excluding amount in interest cost)	3,918	27,001
Change in effect of asset ceiling (excluding amount in interest cost)	(1,952)	(2,915)
Total amount recognised in other comprehensive income/ (loss)	2,314	14,742
Defined benefit asset at the end of the reporting period	(72,609)	(62,286)
Reconciliation of benefit obligation		
Opening benefit obligation	265,067	251,848
Current service cost	1,505	990
Interest cost	34,049	34,111
Employee contributions	3,778	3,580
Actuarial loss/(gain) – change of assumptions	348	(3,251)
Actuarial loss - experience	-	(11,923)
Benefits paid	(7,306)	(10,288)
Closing benefit obligation	297,441	265,067
Reconciliation of assets		
Opening market value of assets	(353,016)	(334,049)
Interest income on plan assets	(45,352)	(45,778)
Employer contributions	(6,122)	(6,898)
Employee contributions	(3,778)	(3,580)
Return on plan assets	3,918	27,001
Benefits paid	7,306	10,288
Closing market value of assets	(397,044)	(353,016)

Notes to the consolidated financial statements *(Continued)*

25. 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	
	2019	2018
	Shs'000	Shs'000
Opening defined benefit asset	(42,149)	(42,134)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	904	670
Interest on obligation	20,457	23,081
Interest on effect of asset ceiling	1,974	1,855
Interest income on plan assets	(27,248)	(30,976)
Net credit for the year included in staff costs	(3,913)	(5,370)
Employer's contributions	(3,678)	(4,668)
Transfer from related company	-	(1,086)
Amount recognised in other comprehensive income/ (loss)	6,115	11,109
Defined benefit asset at the end of the reporting period	(43,625)	(42,149)

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)*

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

(b) Defined benefit retirement scheme (continued)

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

	2019	2018
- discount rate	12.70%	12.80%
- future salary increases	9.0%	8.0%
- 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

	Ksh'000	Ksh'000
2019		
	Current Discount Rate	Discount Rate – 1%
	(12.7%)	(11.7%)
	297,400	297,800
2018		
	Ksh'000	**Ksh'000**
	Current Discount Rate	Discount Rate – 1%
	(12.8%)	(11.8%)
	265,100	264,700

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

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

Effect on Company Cashflows:

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

Maturity Analysis of the Liability:

The weighted average duration of the liability as at 30 September 2019 is 0.1 (2018: 0.2)

Notes to the consolidated financial statements *(Continued)*

25. 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:

	2019 Shs'000	%	2018 Shs'000	%
Government securities	198,118	49.9	182,542	51.7
Quoted equities	92,053	23.2	94,231	26.7
Commercial paper and corporate bonds	22,226	5.6	33,167	9.4
Fixed deposits	76,720	19.3	34,836	9.9
Cash and contributions due	1,141	0.3	1,679	0.4
Offshore investments	6,786	1.7	6,561	1.9
	397,044	100.0	353,016	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	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Defined contribution benefit scheme	5,219	4,698	2,799	2,588

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	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
National Social Security Fund	50,919	42,480	2,919	3,016

Notes to the consolidated financial statements *(Continued)*

26. Borrowings

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Bank overdrafts	22,415	-	-	-
Bank loans	137,612	117,801	-	-
Letter of credit	-	9,844	-	-
Other borrowings	9,384	-	9,384	-
Total borrowings	169,411	127,645	9,384	-
Less current portion	(59,337)	(20,843)	-	-
Non-current portion	110,074	106,802	9,384	-
Maturity of non-current loans				
Between 1 and 2 years	38,889	22,486	-	-
Between 2 and 5 years	61,801	84,316	-	-
Between 5 and 10 years	9,384	-	9,384	-
	110,074	106,802	9,384	-

The bank loans are 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 loan balances denominations and effective interest rates are as listed below:

	2019 Shs'000	2018 Shs'000	Effective Interest Rates
Bank loans			
Euros	102,870	117,801	3%
USD	34,742	-	8%
	137,612	117,801	

The Euro loan is for the purpose of construction of a biomass plant at Dwa Estate Ltd. The US dollar loan relates to capital expenditure incurred by Amboni Plantations Limited.

Other borrowings relate to a loan denominated in Kenya Shillings with an effective interest rate of 15.5% and is towards replanting costs at Vipingo Estate.

The bank overdraft is denominated in USD and is for Amboni Plantations Limited. The effective interest rate is 7%.

Notes to the consolidated financial statements *(Continued)*

27. Payables and accrued expenses

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	70,371	64,031	10,725	10,062
Amount due to related parties (Note 32 (iv) & (v))	8,989	9,192	1,616	1,046
Amounts due to group companies (Note 32 (v))	-	-	-	15,352
Provision for leave pay	36,739	36,268	14,306	15,900
Accrued expenses	72,630	25,977	12,254	97,581
Other payables	60,999	190,596	10,443	9,740
	249,728	326,064	49,344	149,681

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.

28. Lease liability

	Group	Company
	2019	2019
	Shs'000	Shs'000
Current	6,999	3,964
Non-current	23,037	4,050
	30,036	8,014
Maturity analysis		
Year 1	6,999	3,964
Year 2	7,652	4,050
Year 3	3,303	-
Year 4	3,884	-
Year 5	4,725	-
Year 6	3,473	-
	30,036	8,014

The effective interest rates on the lease liability at the end of the year ranged between 9.5% to 12.5%.

Notes to the consolidated financial statements *(Continued)*

29. 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.

30. 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	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Authorised and contracted for	87,333	39,259	272	660

Operating lease commitments

The group as lessee

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

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	712	5,082	712	5,082
Between 2 and 5 years	653	9,686	653	9,686
Over 5 years	-	-	-	-
	1,365	14,768	1,365	14,768

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

Notes to the consolidated financial statements *(Continued)*

30. Commitments *(continued)*

Operating lease commitments (continued)

Group as lessor

The group companies are lessors under various agreements with rental receipts and receivables as below;

	2019 Shs'000	2018 Shs'000
Rent received	461	460
Rent receivable		
Within 1 year	340	461
Within 2-5 years	1,637	1,577
Over 5 years	4,813	5,098
	6,790	7,136

Notes to the consolidated financial statements *(Continued)*

31. (a) Notes to the consolidated statement of cash flows

	Group 2019 Shs'000	2018 Shs'000
(i) Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	585,923	1,639,781
Adjustment for:		
Defined benefit retirement scheme credit recognised in profit for the year (Note 25 (b))	(6,513)	(7,936)
Employer's contributions to defined benefit retirement scheme (Note 25 b))	(6,122)	(6,898)
Net exchange (gain)/ loss on borrowings	(4,254)	400
Net exchange (gain)/ loss on loan to parent company	(6,882)	7,805
Exchange loss on lease liability	264	-
Finance costs recognised in the profit for the year	5,593	1,496
Interest receivable recognised in the profit for the year	(25,028)	(91,377)
Depreciation of property, plant and equipment (Note 12)	329,398	305,362
Depreciation of investment property (Note 14)	141	141
Depreciation of right of use asset (Note 15)	5,805	-
Fair value adjustment of biological assets (Note 13)	11,314	23,439
Profit on sale of property, plant and equipment	(10,142)	(7,553)
Profit on sale of land (Note 22)	-	(975,430)
Operating profit before working capital changes	879,497	889,230
Working capital changes		
- receivables and prepayments	21,186	(96,682)
- inventories	(123,625)	47,256
- payables and accrued expenses	(78,866)	152,993
- Staff retirement gratuity	20,788	32,033
Net cash generated from operations	718,980	1,024,830
(ii) Analysis of changes in loan to parent company.		
At 1 October 2018	252,456	158,285
Loan advanced	536,550	817,569
Loan repaid	(239,487)	(709,160)
Interest receivable	7,991	10,858
Interest received	(14,252)	(17,291)
Exchange adjustment	6,882	(7,805)
At 30 September 2019	550,140	252,456
(iii) Analysis of changes in borrowings		
At 1 October 2018	127,645	-
Loan received during the year	43,475	117,401
Letter of credit issued in the year	-	9,844
Repayments	(30,066)	-
Other borrowings proceeds inclusive of unpaid interest	9,384	-
Exchange adjustments	(4,254)	400
Translation adjustment	812	-
At 30 September 2019	146,996	127,645

Notes to the consolidated financial statements *(Continued)*

31. (a) Notes to the consolidated statement of cash flows *(continued)*

	Group	
	2019	2018
	Shs'000	Shs'000
(iv)Analysis of changes in lease liability		
At 1 October 2018	-	-
Present value of future lease payments recognised	34,544	-
Payments during the year	(4,773)	-
Interest charge	1,839	-
Interest paid	(1,839)	-
Exchange adjustment	265	-
At 30 September 2019	30,036	-

Notes to the consolidated financial statements *(Continued)*

31. (b) Notes to the company statement of cash flows

	Company 2019 Shs'000	Company 2018 Shs'000
(i)Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	143,632	1,974,686
Adjustments for:		
Re-allocation of defined benefit pension scheme	-	(1,733)
Defined benefit retirement scheme credit recognised in profit for the year (Note 25(b))	(3,913)	(5,370)
Employer's contributions to defined benefit retirement scheme (Note 25(b))	(3,678)	(4,668)
Net exchange (gain)/ loss on loan to parent company	(6,882)	7,805
Interest receivable recognised in profit for the year	(24,227)	(89,426)
Finance costs recognised in profit for the year (Note 8)	986	-
Depreciation of right of use asset (Note 15)	3,821	-
Depreciation of property, plant and equipment (Note 12)	77,374	74,611
Depreciation of investment properties (Note 14)	141	141
Profit on sale of property, plant and equipment	(1,708)	(5,339)
Profit on sale of land (Note 22(b))	-	(975,430)
Fair value adjustment of sisal agricultural produce	8,111	17,158
Exchange loss on lease liability	264	-
Operating profit before working capital changes	193,921	992,435
Working capital changes		
- receivables and prepayments	(77,420)	(540,164)
- inventories	(18,928)	1,224
- payables and accrued expenses	(100,337)	68,165
- Staff retirement gratuity	7,375	10,007
Net cash generated from operations	4,611	531,667
(ii)Analysis of changes in loan to parent company		
At 1 October 2018	252,456	158,258
Loan advanced	536,550	817,569
Loan repaid	(239,487)	(709,160)
Interest receivable	7,991	10,858
Interest received	(14,252)	(17,264)
Exchange adjustment	6,882	(7,805)
At 30 September 2019	550,140	252,456

(iii)

Analysis of changes in lease liability	Company 2019 Shs'000	Company 2018 Shs'000
At 1 October 2018	-	-
Present value of future lease payments recognised	11,146	-
Payments during the year	(3,396)	-
Interest charge	802	-
Interest paid	(802)	-
Exchange adjustment	264	-
At 30 September 2019	8,014	-

Notes to the consolidated financial statements *(Continued)*

32. 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	
	2019 Shs'000	**2018 Shs'000**
Wigglesworth & Company Limited – UK		
Sale of sisal fibre and yarns	2,694,873	2,837,934
Afchem Limited – Management Services	240	240
REA Trading Limited - Interest receivable	7,991	10,858
	2,703,104	2,849,032

(ii) Purchase of management and legal services

	2019	2018
Kaplan & Stratton	222	2,720
REA Trading Limited	4,060	4,115
Chequered Flag Limited	546	83
	4,828	6,918

(iii) Key management compensation

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

	2019	2018
Salaries and other short term benefits	123,480	121,460
Post employment benefits	656	1,482
Directors fees	4,995	3,720
	129,131	126,662

Notes to the consolidated financial statements *(Continued)*

32. Related party transactions *(continued)*

	Group 2019 Shs'000	Group 2018 Shs'000
(iv) Outstanding balances		
Current receivables (Note 20)		
Wigglesworth & Company Limited – UK	169,729	235,524
Afchem Limited	364	25
REA Trading Limited	550,140	252,456
	720,233	488,005
Current payables (Note 27)		
Wigglesworth & Company Limited - UK	8,919	9,141
Chequered Flag Limited	70	51
	8,989	9,192

(v) Outstanding balances	Company 2019 Shs'000	Company 2018 Shs'000
Current receivables (Note 20)		
Amounts due from group companies		
Amboni Plantations Limited	13,916	11,378
Wigglesworth Exporters Limited	7,614	8,428
Dwa Estate Limited	748,044	717,496
Amboni Spinning Mill Limited	6,908	-
	776,482	737,302
Amount due from related parties		
Wigglesworth & Company Limited – UK	63,062	41,830
Afchem Limited	364	25
REA Trading Limited	550,140	252,456
	613,566	294,311

The amount due from REA Trading Limited relates to an unsecured short term loan of USD 5,295,000 (2018: USD 2,501,000). Interest is charged upon the loan at a rate of 3% per annum.

Notes to the consolidated financial statements *(Continued)*

32. Related party transactions *(continued)*

	Company	
(v) Outstanding balances (continued)	**2019 Shs'000**	**2018 Shs'000**
Current payables (Note 27)		
Amounts due to group companies		
Amboni Spinning Mill Limited	-	15,352
Amount due to related parties		
Wigglesworth & Company Limited – UK	1,577	1,046
Chequered Flag Limited	39	-
	1,616	1,046

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

Proxy Form

I/We ____

of ____

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

or failing him Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 27 th March 2020 and at any adjournment thereof.

Signature ______________________________ Date ____________________ 2020

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 25th March 2020.

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

First Fold

Second Fold

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

Third Fold and tuck in edge

First Fold