REA VIPINGO PLANTATIONS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2017

2017

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Company information

Directors

The directors of the company are as follows:

Oliver Fowler
Neil Cuthbert
Richard Robinow
Stephen Waruhiu
Brown Ondego

Secretary and registered office

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

Registrars and transfer office

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

Independent auditors

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

Principal Bankers

Commercial Bank of Africa Limited
Upper Hill,
P.O. Box 30437, Nairobi 00100

NIC Bank Limited,
Masaba Road,
P.O. Box 44599, Nairobi 00100

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

Advocates

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

Notice of meeting

Notice is hereby given that the twenty third annual general meeting of the company will be held at Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Friday 23 March 2018, 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 2017.

3. To confirm the payment of interim dividends amounting to Shs 20.00 per share (400%) and to confirm the recommendation of the directors that no final dividend be paid in respect of the year ended 30th September 2017.

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 2018.

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

5 February 2018

Note:

Election of directors
Article 82E states as follows:

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

Chairman's statement

The company faced a number of challenges during the year to 30th September 2017 but, despite these, produced a very satisfactory profit before tax of Shs 1,304 million, significantly better than had been expected during the early part of the year.

Following an unusually prolonged period of high demand and high prices, we faced an inevitable correction in the market during the second half of 2016. Demand from several key markets, including premium price markets, dropped significantly and, as a result, we reduced production across all estates.

The downturn in demand coincided with a severe drought that affected most of East Africa but in particular affected our Tanzanian estates and Vipingo which are all located along the coast. The April/May 2016 rains in the coastal regions were materially below average and the situation was exasperated by the failure of the "short" November rains.

As a consequence of the unusually dry conditions leaf cutting was restricted during the period December 2016 to May 2017 particularly in Tanzania where production was reduced by over 35% in that period.

Fortunately, demand for group fibre stabilised in our main markets by about mid year and, to an extent helped by our lower production, we were able to sell all of our production at, considering the market correction, quite remunerative prices.

The May 2017 rains along the coast were good and during the remainder of the financial period we received a good distribution of rain allowing the estates to recover and end the period with good leaf positions.

For the reasons mentioned, overall group fibre production for the year was 17,166 tonnes, some 2,854 tonnes or 14% less than the previous record year. The lower production, and lower prices, resulted in turnover being 14% less than the previous year at Shs 3,528 million.

During the year the group adopted the amendments to International Accounting Standards 16 and 41 relating to the accounting treatment of bearer plants. The financial statements for 2016 have been restated to reflect these amendments. Although the profit before tax was significantly less than the restated profit achieved during the previous year, an exceptional year in all respects, the result achieved during the year under review was, in the circumstances, very satisfactory.

The Tanga spinning mill produced 2,257 tonnes of yarn and ropes during the year, very close to the volume achieved in the previous year. Sales were well balanced across international and regional markets but margins were, and continue to be, under pressure.

The Dwa horticulture division had a mixed year with volumes of baby corn, the main year round crop, lower than previous years. This was, however, offset by the growth of our seed business which produced a very satisfactory return.

Chairman's statement *(Continued)*

In recent months a Power Purchase Agreement has been concluded with Kenya Power and Lighting Company Limited for a 1.44 MW biomass energy generating plant that we propose to build at Dwa. Once operational, the estate will be self-sufficient in power and will have an income from the sale of the surplus to the national grid.

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

The current year has started well and we are well sold at remunerative prices similar to those achieved during the latter part of 2016/2017. Volumes, particularly on the coastal estates which have enjoyed good rainfall distribution since last May, are in line with expectations and provided the April/May rains are satisfactory, should be maintained throughout the remainder of the current financial period. Dwa has not had particularly good November/December rains and volumes may again be slightly lower than expected.

The spinning mill continues to operate in a difficult market situation with prices under pressure to the extent that the business is currently very marginal.

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

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

OLIVER FOWLER
CHAIRMAN
5 February 2018

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 2017 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 13.

Business Review

The year was characterised by below average rainfall at all locations and significantly reduced prices for sisal fibre.

Total sisal fibre production was 17,166 tonnes (2016: 20,020 tonnes) and spun product production was 2,257 tonnes (2016: 2,306 tonnes). The average price of sisal fibre reduced by approximately $196 per tonne.

Information relating to the individual operating units is given below. Areas are given as at 30 September 2017 and crops are stated for the whole year ended on that date and referred to as the 2017 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	3,507
Older sisal	121
Immature sisal	1,397
Nurseries	132
Other areas	3,689
Horticulture	111
	8,957

Overall the rains at Dwa during the year were again below average and leaf availability was lower than expected. A total of 6,674 tonnes of fibre was baled on the estate (2016: 7,131 tonnes).

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 2017, some 471 hectares of new sisal were planted. It is intended that going forward Dwa will plant in the region of 470 hectares per annum.

The rains during November and December 2017 have been less than expected but will be sufficient providing that the estate receives satisfactory rainfall in April.

Report of the directors *(Continued)*

Business Review *(Continued)*

Horticulture

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

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

Baby corn yields declined during the year and overall volumes were below expectations.

During the year we successfully produced seed for sale to a major international seed supplier.

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

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	2,417
Older sisal	327
Immature sisal	761
Nurseries	70
Other areas	704
	4,279

The November rains at Vipingo were below average and the estate received no meaningful rain until May. From May onwards rainfall was well distributed and the estate then produced satisfactorily with a total of 4,161 tonnes (2016 – 4,985 tonnes) of fibre baled during the year. The grade mix was again satisfactory.

The annual replant at Vipingo is carried out, in the main, prior to the April rains and during 2017 some 202 hectares were planted.

The November 2017 rains have been satisfactory and providing that the May rains are normal, and that there are no market constraints, production is expected to be over 4,500 tonnes during the current year.

Amboni Plantations Limited

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

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

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

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

	Hectares
Mature sisal	3,334
Older sisal	1,541
Immature sisal	1,683
Nurseries	146
Other areas	8,132
	14,836

Report of the directors *(Continued)*

Business Review *(Continued)*

Amboni Plantations Limited *(Continued)*

Rainfall on all the Tanzanian estates was particularly poor between April 2016 and April 2017 with the result that operations had to be restricted and production for the first 8 months of the year reduced by over 35%. Overall fibre production for the year was 6,331 tonnes (2016 – 7,904 tonnes).

Replanting in Tanzania is largely carried out prior to the April rains and in 2017 a total area of 516 hectares were planted.

Following an improved rainfall distribution from May 2017 to date, and a satisfactory labour situation, the estates are operating well and, providing that the April / May rains are reasonable, the estates should return to normal fibre volumes for the current financial period.

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 approximately 10% less than the previous year but still represented just over 60% of the total sales. The international market, although very competitive, contributed slightly more than expected in terms of sales. Total production was 2,257 tonnes (2016 – 2,306 tonnes).

The international market for yarns and ropes is becoming more challenging with overall total sales 8% less than two years ago. 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 2017. 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.

Dividend

During the year interim dividends of Shs 10 per share and Shs 10 per share amounting to Shs 1,200,000,000 were declared and paid.

The directors do not recommend the payment of a final dividend in respect of the year ended 30th September 2017 (2016: 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)*

Disclosure to auditors

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

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

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

Auditors

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

By order of the Board

I R HODSON
Secretary
5 February 2018

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 5 February 2018 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 Separate financial statements

Opinion

We have audited the consolidated and separate financial statements of REA Vipingo Plantations Limited and its subsidiaries ("the Group") set out on pages 13 to 82, which comprise the consolidated and separate statements of financial position at 30 September 2017 and the consolidated and separate statements of profit or loss and other comprehensive income, the statements of changes in equity and the 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 presents fairly in all material respects, the consolidated and separate financial position of the Group and the Company at 30 September 2017 and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of Kenyan Companies Act, 2015.

Basis for Opinion

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

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

Other Information

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as going concerns.
- 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

The Kenyan Companies Act, 2015 requires us to report to you if in our opinion:

a) the company has kept adequate accounting records, and returns adequate for the audit have been received from the branches not visited by us; and

b) the company's individual financial statements are in agreement with its accounting records and returns;

We have nothing to report in this regard.

In our opinion the information given in the report of the directors on pages 6 to 9 is consistent with the financial statements.

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

CPA Iqbal P Karim – P/No. 1895

Deloitte & Touche
Certified Public Accountants (Kenya)
Mombasa, Kenya
5 February 2018

Consolidated statement of profit or loss and other comprehensive income

	Notes	2017 Shs'000	2016 Restated Shs'000
Revenue	5	3,528,274	4,089,281
Net gain/(loss) arising from changes in fair value of biological assets	13 (a)	236,060	(447,907)
Cost of production		(1,732,141)	(1,418,397)
Gross profit		2,032,193	2,222,977
Interest receivable		58,199	32,038
Profit on sale of subsidiary	21 (c)	-	337,983
Profit on sale of land	21 (d)	140,040	442,229
Other operating income		19,944	17,193
Foreign exchange gains/(losses) – net		13,017	(15,602)
Distribution costs		(103,520)	(110,369)
Administrative expenses		(847,668)	(833,516)
Other operating expenses		(8,231)	(152)
Finance costs	8	(102)	(20)
Profit before tax	6	1,303,872	2,092,761
Tax charge	9 (a)	(367,985)	(408,977)
		935,887	1,683,784
Discontinued operations			
Loss for the year from discontinued operations	21 (a)	-	(5)
Profit for the year		935,887	1,683,779
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	24 (b)	19,792	(8,657)
Deferred tax (charge)/credit attributable to remeasurement of defined benefit asset	9 (b)	(5,937)	2,597
Remeasurement of defined benefit asset net of tax		13,855	(6,060)
Item that may be reclassified subsequently to profit or loss			
Foreign exchange adjustment on translation of foreign subsidiaries		(12,270)	(59,011)
Other comprehensive income/(loss) for the year		1,585	(65,071)
Total comprehensive income for the year		937,472	1,618,708
Earnings per share from continuing and discontinued operations– basic and diluted	10	Shs 15.60	Shs 28.06

Company statement of profit or loss and other comprehensive income

	Notes	2017 Shs'000	2016 Restated Shs'000
Revenue	5	754,664	947,284
Gain/ (loss) arising from changes in fair value of biological assets	13 (b)	53,606	(120,182)
Cost of production		(416,840)	(331,605)
Gross profit		391,430	495,497
Interest receivable		49,734	25,869
Dividends from subsidiaries		700,814	852,892
Profit on sale of subsidiary	21 (c)	-	427,598
Profit on sale of land	21 (d)	140,040	442,229
Other income		104,878	89,085
Foreign exchange gains/(losses) - net		243	(15,217)
Distribution costs		(35,703)	(38,215)
Administrative expenses		(330,893)	(316,544)
Other operating expenses		(8,231)	-
Profit before tax	6	1,012,312	1,963,194
Tax charge	9 (a)	(60,688)	(79,133)
Profit for the year		951,624	1,884,061
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit asset	24 (b)	13,398	(6,015)
Deferred tax (charge)/credit attributable to remeasurement of defined benefit asset	9 (b)	(4,019)	1,805
Other comprehensive income/(loss) for the year		9,379	(4,210)
Total comprehensive income for the year		961,003	1,879,851

Consolidated statement of financial position

As at 30 September 2017

	Notes	2017	2016 Restated	2015 Restated
		Shs'000	Shs'000	Shs'000
ASSETS				
Non-current assets				
Property, plant and equipment	12 (a)	1,948,035	1,893,777	1,758,583
Investment properties	14	12,134	12,274	4,455
Investment in unquoted shares	17	10,028	10,028	9,151
Deferred tax assets	23	3,002	5,265	4,988
Post employment benefit asset	24 (b)	62,194	32,375	31,681
		2,035,393	1,953,719	1,808,858
Current assets				
Inventories	18	625,681	803,962	570,044
Biological assets	13 (a)	708,668	475,318	941,439
Receivables and prepayments	19	763,530	1,109,858	501,407
Tax recoverable	9 (c)	72,576	3,273	-
Cash and cash equivalents	20	380,734	410,680	1,177,151
Assets held for sale	21 (b)	22,918	25,287	84,645
		2,574,107	2,828,378	3,274,686
Total assets		4,609,500	4,782,097	5,083,544
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	22	300,000	300,000	300,000
Share premium	22	84,496	84,496	84,496
Translation deficit		(268,852)	(256,582)	(197,571)
Retained earnings		3,507,158	3,757,416	3,759,697
Shareholders' funds		3,622,802	3,885,330	3,946,622
Non-current liabilities				
Deferred tax liabilities	23	578,701	486,695	605,651
Post employment benefit obligations	24 (a)	226,708	206,287	186,599
		805,409	692,982	792,250
Current liabilities				
Payables and accrued expenses	25	177,168	195,167	172,050
Tax payable	9 (c)	4,121	8,618	171,932
Liabilities held for sale		-	-	690
		181,289	203,785	344,672
Total equity and liabilities		4,609,500	4,782,097	5,083,544

The financial statements on pages 13 to 82 were approved for issue by the board of directors on 5 February 2018 and were signed on its behalf by:

N R Cuthbert Director O M Fowler Director

Company statement of financial position

As at 30 September 2017

	Notes	2017 Shs'000	2016 Restated Shs'000	2015 Restated Shs'000
ASSETS				
Non-current assets				
Property, plant and equipment	12 (b)	486,333	488,875	472,444
Investment properties	14	12,134	12,274	4,455
Investments in subsidiaries	16	191,733	192,268	195,245
Investment in unquoted shares	17	10,028	10,028	9,151
Post employment benefit asset	24 (b)	42,134	21,933	21,613
		742,362	725,378	702,908
Current assets				
Tax recoverable	9 (c)	9,579	-	-
Biological assets	13 (b)	153,131	99,525	219,707
Inventories	18	134,777	170,584	98,934
Receivables and prepayments	19	434,253	656,960	155,986
Cash and cash equivalents	20	243,433	282,971	682,198
Assets held for sale	21 (b)	22,918	25,287	429,273
		998,091	1,235,327	1,586,098
Total assets		1,740,453	1,960,705	2,289,006
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	22	300,000	300,000	300,000
Share premium	22	84,496	84,496	84,496
Retained earnings		1,055,451	1,294,448	1,094,597
Shareholders' funds		1,439,947	1,678,944	1,479,093
Non-current liabilities				
Post employment benefit obligations	24 (a)	98,379	88,460	79,667
Deferred tax liability	23	120,611	99,077	131,056
		218,990	187,537	210,723
Current liabilities				
Payables and accrued expenses	25	81,516	88,009	532,410
Tax payable	9 (c)	-	6,215	66,780
		81,516	94,224	599,190
Total equity and liabilities		1,740,453	1,960,705	2,289,006

The financial statements on pages 13 to 82 were approved for issue by the board of directors on 5 February 2018 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 2016				Retained earning				
	Share capital	Share premium	Translation deficit	Employee benefit reserve	Biological assets fair value	Other	Total	Total
	Shs'000	Shs'000	Restated Shs'000	Shs'000	Restated Shs'000	Restated Shs'000	Restated Shs'000	Restated Shs'000
As originally stated	300,000	84,496	(212,409)	(16,266)	1,048,538	2,600,635	3,632,907	3,804,994
Adjustments due to adoption of amendments to IAS 41 and IAS 16								
Transfer of fair value reserve	-	-	-	-	(1,048,538)	1,048,538	-	-
Re-classification of biological assets								
Reversal of original carrying value	-	-	-	-	-	(1,642,606)	(1,642,606)	(1,642,606)
Bearer plants at cost less amortisation	-	-	-	-	-	906,837	906,837	906,837
Sisal agricultural produce at point of harvest at fair value	-	-	-	-	-	938,095	938,095	938,095
Translation adjustment arising from adoption of amendments to IAS 41 and IAS 16	-	-	14,838	-	-	(14,838)	(14,838)	-
Adjustment	-	-	14,838	-	-	187,488	187,488	202,326
Deferred tax thereon	-	-	-	-	-	(60,698)	(60,698)	(60,698)
Net adjustment to retained earnings	-	-	14,838	-	-	126,790	126,790	141,628
As Restated	300,000	84,496	(197,571)	(16,266)	-	3,775,963	3,759,697	3,946,622
Profit for the year	-	-	-	-	-	1,683,779	1,683,779	1,683,779
Other comprehensive loss for the year	-	-	(59,011)	(6,060)	-	-	(6,060)	(65,071)
Total comprehensive (loss)/income for the year	-	-	(59,011)	(6,060)	-	1,683,779	1,677,719	1,618,708
Interim dividends paid	-	-	-	-	-	(1,680,000)	(1,680,000)	(1,680,000)
At end of year	300,000	84,496	(256,582)	(22,326)	-	3,779,742	3,757,416	3,885,330

Consolidated statement of changes in equity *(Continued)*

Year ended 30 September 2017				Retained earning				
	Share capital	Share premium	Translation deficit	Employee benefit reserve	Biological assets fair value	Other	Total	Total
			Restated		Restated	Restated	Restated	Restated
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
As originally stated	300,000	84,496	(270,453)	(22,326)	515,678	2,861,224	3,354,576	3,468,619
Adjustments due to adoption of amendments to IAS 41 and IAS 16								
Transfer of fair value reserve	-	-	-	-	(515,678)	515,678	-	-
Re-classification of biological assets								
Reversal of original carrying value	-	-	-	-	-	(836,614)	(836,614)	(836,614)
Bearer plants at cost less amortisation	-	-	-	-	-	969,861	969,861	969,861
Sisal agricultural produce at point of harvest at fair value	-	-	-	-	-	462,053	462,053	462,053
Translation adjustment arising from adoption of amendments to IAS 41 and IAS 16	-	-	13,871	-	-	(13,871)	(13,871)	-
Adjustment	-	-	13,871	-	-	581,429	581,429	595,300
Deferred tax thereon	-	-	-	-	-	(178,589)	(178,589)	(178,589)
Net adjustment to retained earnings	-	-	13,871	-	-	402,840	402,840	416,711
As Restated	300,000	84,496	(256,582)	(22,326)	-	3,779,742	3,757,416	3,885,330
Profit for the year	-	-	-	-	-	935,887	935,887	935,887
Other comprehensive (loss)/income for the year	-	-	(12,270)	13,855	-	-	13,855	1,585
Total comprehensive (loss)/income for the year	-	-	(12,270)	13,855	-	935,887	949,742	937,472
Interim dividends paid	-	-	-	-	-	(1,200,000)	(1,200,000)	(1,200,000)
At end of year	300,000	84,496	(268,852)	(8,471)	-	3,515,629	3,507,158	3,622,802

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.

The biological assets fair value reserve has been transferred to other retained earnings following the adoption of the amendments to IAS 16 and IAS 41.

Company statement of changes in equity

Year ended 30 September 2016

			Revenue Reserves				
	Share capital	**Share premium**	**Employee benefit reserve**	**Biological assets**	**Other**	**Total**	**Total**
				Restated	**Restated**	**Restated**	**Restated**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At start of year							
As originally stated	300,000	84,496	(9,282)	99,432	831,102	921,252	1,305,748
Adjustments due to adoption of amendments to IAS 41 and IAS 16							
Transfer of fair value reserve	-	-	-	(99,432)	99,432	-	-
Re-classification of biological assets							
Reversal of original carrying value	-	-	-	-	(209,388)	(209,388)	(209,388)
Bearer plants at cost less amortisation	-	-	-	-	237,316	237,316	237,316
Sisal agricultural produce at point of harvest at fair value	-	-	-	-	219,707	219,707	219,707
Adjustment	-	-	-	-	247,635	247,635	247,635
Deferred tax thereon	-	-	-	-	(74,290)	(74,290)	(74,290)
Net adjustment to retained earnings	-	-	-	-	173,345	173,345	173,345
As Restated	300,000	84,496	(9,282)	-	1,103,879	1,094,597	1,479,093
Profit for the year	-	-	-	-	1,884,061	1,884,061	1,884,061
Other comprehensive loss for the year	-	-	(4,210)	-	-	(4,210)	(4,210)
Total comprehensive (loss)/ income for the year	-	-	(4,210)	-	1,884,061	1,879,851	1,879,851
Interim dividends paid	-	-	-	-	(1,680,000)	(1,680,000)	(1,680,000)
At end of year	300,000	84,496	(13,492)	-	1,307,940	1,294,448	1,678,944

Company statement of changes in equity *(Continued)*

Year ended 30 September 2017

	Share capital	Share premium	Revenue Reserves: Employee benefit reserve	Revenue Reserves: Biological assets	Revenue Reserves: Other	Revenue Reserves: Total	Total
	Shs'000	Shs'000	Shs'000	Restated Shs'000	Restated Shs'000	Restated Shs'000	Restated Shs'000
At start of year							
As originally stated	300,000	84,496	(13,492)	(7,938)	1,110,995	1,089,565	1,474,061
Adjustments due to adoption of amendments to IAS 41 and IAS 16							
Transfer of fair value reserve	-	-	-	7,938	(7,938)	-	-
Re-classification of biological assets							
Reversal of original carrying value	-	-	-	-	(56,002)	(56,002)	(56,002)
Bearer plants at cost less amortisation	-	-	-	-	249,167	249,167	249,167
Sisal agricultural produce at point of harvest at fair value	-	-	-	-	99,525	99,525	99,525
Adjustment	-	-	-	-	292,690	292,690	292,690
Deferred tax thereon	-	-	-	-	(87,807)	(87,807)	(87,807)
Net adjustment to retained earnings	-	-	-	-	204,883	204,883	204,883
As Restated	300,000	84,496	(13,492)	-	1,307,940	1,294,448	1,678,944
Profit for the year	-	-	-	-	951,624	951,624	951,624
Other comprehensive income for the year	-	-	9,379	-	-	9,379	9,379
Total comprehensive income for the year	-	-	9,379	-	951,624	961,003	961,003
Interim dividends paid	-	-	-	-	(1,200,000)	(1,200,000)	(1,200,000)
At end of year	300,000	84,496	(4,113)	-	1,059,564	1,055,451	1,439,947

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.

The biological assets fair value reserve has been transferred to other retained earnings following the adoption of the amendments to IAS 16 and IAS 41.

Consolidated statement of cash flows

	Notes	2017	2016
			Restated
		Shs'000	Shs'000
Cash flows from operating activities			
Net cash generated from operations	28 (a)	1,830,117	1,159,609
Interest received		50,924	32,038
Interest paid	8	(102)	(20)
Tax paid	9 (c)	(351,167)	(679,700)
Net cash generated from operating activities		1,529,772	511,927
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (a)	(352,365)	(432,325)
Purchase of investment property	14	-	(7,891)
Purchase of unquoted shares	17	-	(877)
Net proceeds from disposal of shares in subsidiary		-	363,163
Net proceeds from disposal of land		142,409	476,316
Proceeds from disposal of property, plant and equipment		9,382	5,638
Loan advanced to parent company		(672,685)	-
Proceeds from loan repayments from parent company		514,400	-
Net cash (used in)/generated from investing activities		(358,859)	404,024
Cash flows from financing activities			
Interim dividends paid		(1,200,000)	(1,680,000)
Net cash used in financing activities		(1,200,000)	(1,680,000)
Decrease in cash and cash equivalents		(29,087)	(764,049)
Cash and cash equivalents at start of year		410,680	1,177,242
Effects of exchange rate changes		(859)	(2,513)
Cash and cash equivalents at end of year	20	380,734	410,680

Company statement of cash flows

	Notes	2017 Shs'000	2016 Restated Shs'000
Cash flows from operating activities			
Net cash generated from operations	28 (b)	1,260,162	238,819
Interest received		42,459	25,869
Tax paid	9 (c)	(58,967)	(169,872)
Net cash generated from operating activities		1,243,654	94,816
Cash flows from investing activities			
Purchase of property, plant and equipment	12 (b)	(71,579)	(86,606)
Proceeds from disposals of property, plant and equipment		3,728	4,541
Purchase of unquoted shares	17	-	(877)
Purchase of investment property	14	-	(7,891)
Net proceeds from disposal of shares in subsidiary		-	797,497
Net proceeds from disposal of land		142,409	476,316
Loan advanced to parent company		(672,685)	-
Proceeds from loan repayment from parent company		514,400	-
Net cash (used in)/generated from investing activities		(83,727)	1,182,980
Cash flows used in financing activities			
Dividends paid		(1,200,000)	(1,680,000)
Net cash used in financing activities		(1,200,000)	(1,680,000)
Net decrease in cash and cash equivalents		(40,073)	(402,204)
At start of year		282,971	682,198
Decrease		(40,073)	(402,204)
Foreign exchange adjustment		535	2,977
At end of year	20	243,433	282,971

Notes to the consolidated financial statements

1. General information

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

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

The company is engaged in the cultivation of sisal and the production of sisal fibre and horticultural produce and also acts as a holding company. The principal activities of the subsidiary companies (the group) are described in note 16.

2. Accounting policies

Statement of compliance

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

Basis of preparation

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

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

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

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2017.

(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:

IFRS 10	Consolidated financial statements.
IFRS 11	Joint arrangements.
IFRS 14	Regulatory deferred accounts.
IAS 1	Presentation of financial statements.
IAS 16 and IAS 38	Intangible assets depreciation.
IAS 27	Separate financial statements.
IAS 28	Investments in associates and joint ventures.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2017. (Continued)

Annual improvements to IFRSs 2012-2014 Cycle issued in September 2014, which included amendments to:.

IFRS 5	Non-current assets held for sale and discontinued operations.
IFRS 7	Financial instruments' disclosures.
IAS 19	Employee benefits

(b) IAS 16 Property, plant and equipment and IAS 41 Agriculture (revised in 2014)

In prior years, all plants and the unharvested agriculture produce derived from the plants were defined as biological assets and measured in accordance with the principles of IAS 41 Agriculture.

The amendments to these standards released in 2014 require that biological assets which meet the definition of bearer plants should be accounted for as property, plant and equipment in accordance with the principles of IAS 16. Sisal plants are treated as bearer plants and are accounted for as part of property, plant and equipment at historical cost less accumulated depreciation and any provision for impairment. Cost comprises direct and indirect costs incurred in cultivating the sisal plants until they become mature. Upon reaching maturity, the plants are depreciated using the straight line method over a period of 8 years, being their estimated useful life after attaining maturity.

The fibre content of leaves on the sisal plants they may be expected to be obtained from leaves next harvested in accordance with the group's normal harvesting cycle is treated as growing produce and is accounted for as a biological asset.

Further information regarding the measurement of growing produce is given in Note 13.

Horticultural crops are of a short term nature and continue to be accounted for as biological assets in accordance with IAS 41.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(b) IAS 16 Property, plant and equipment and IAS 41 Agriculture (revised in 2014) (Continued)

Group

(i) Impact on assets, liabilities and equity as at 30 September 2015 of the application of the amendments to IAS 16 and IAS 41 (as revised in 2014)

	As at 30 September 2015 (as previously stated)	IAS 16/IAS 41 adjustments	As at 30 September 2015 (as restated)
	Shs'000	Shs'000	Shs'000
Biological assets fair value reserve	1,048,538	(1,048,538)	-
Biological assets at fair value	1,645,950	(1,642,606)	3,344
Bearer plants at cost	-	1,364,993	1,364,993
Bearer plants accumulated amortisation	-	(458,156)	(458,156)
Carrying value of bearer plants	-	906,837	906,837
Sisal agricultural produce at point of harvest at fair value	-	938,095	938,095
Net deferred tax liability	539,965	60,698	600,663

(ii) Impact on assets, liabilities and equity as at 30 September 2016 of the application of the amendments to IAS 16 and IAS 41 (as revised in 2014)

	As at 30 September 2016 (as previously stated)	IAS 16/IAS 41 adjustments	As at 30 September 2016 (as restated)
	Shs'000	Shs'000	Shs'000
Biological assets fair value reserve	515,678	(515,678)	-
Biological assets at fair value	849,879	(836,614)	13,265
Bearer plants at cost	-	1,475,984	1,475,984
Bearer plants accumulated amortisation	-	(506,123)	(506,123)
Carrying value of bearer plants	-	969,861	969,861
Sisal agricultural produce at point of harvest at fair value	-	462,053	462,053
Net deferred tax liability	302,841	178,589	481,340

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(b) IAS 16 Property, plant and equipment and IAS 41 Agriculture (revised in 2014) (continued)

Group *(Continued)*

(iii) Impact on total comprehensive income for the year of the application of the amendments to IAS 16 and IAS 41 (as revised in 2014)

Impact on profit for the year	**Year ended 30 September 2016 (as previously stated)**	**IAS 16/IAS 41 adjustments**	**Year ended 30 September 2016 (restated)**
	Shs'000	**Shs'000**	**Shs'000**
Profit before tax	1,698,405	394,356	2,092,761
Adjustments			
Reversal of fair value loss of biological assets		771,150	
Fair value loss of sisal agricultural produce at point of harvest		(457,828)	
Development of bearer plants now capitalised		212,741	
Amortisation of bearer plants		(131,706)	
Net adjustment		394,356	
Tax charge	(290,671)	(118,306)	(408,997)
Impact on other comprehensive loss for the year			
Item that may be reclassified subsequently to profit loss			
Foreign exchange adjustment on translation of foreign subsidiaries	(58,044)	(967)	(59,011)

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(b) IAS 16 Property, plant and equipment and IAS 41 Agriculture (revised in 2014) *(continued)*

Company

(i) Impact on assets, liabilities and equity as at 30 September 2015 of the application of the amendments to IAS 16 and IAS 41 (as revised in 2014)

	As at 30 September 2015 (as previously stated)	IAS 16/IAS 41 adjustments	As at 30 September 2015 (as restated)
	Shs'000	Shs'000	Shs'000
Biological assets fair value reserve	99,432	(99,432)	-
Biological assets at fair value	209,388	(209,388)	-
Bearer plants at cost	-	366,954	366,954
Bearer plants accumulated amortisation	-	(129,638)	(129,638)
Carrying value of bearer plants	-	237,316	237,316
Sisal agricultural produce at point of harvest at fair value		219,707	219,707
Net deferred tax liability	56,766	74,290	131,056

(ii) Impact on assets, liabilities and equity as at 30 September 2016 of the application of the amendments to IAS 16 and IAS 41 (as revised in 2014)

	As at 30 September 2016 (as previously stated)	IAS 16/IAS 41 adjustments	As at 30 September 2016 (as restated)
	Shs'000	Shs'000	Shs'000
Biological assets fair value reserve	(7,938)	7,938	-
Biological assets at fair value	56,002	(56,002)	-
Bearer plants at cost	-	394,806	394,806
Bearer plants accumulated amortisation	-	(145,639)	(145,639)
Carrying value of bearer plants	-	249,167	249,167
Sisal agricultural produce at point of harvest at fair value	-	99,525	99,525
Net deferred tax liability	11,270	87,807	99,077

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

(b) IAS 16 Property, plant and equipment and IAS 41 Agriculture (revised in 2014) *(continued)*

Company *(Continued)*

(iii) Impact on total comprehensive income for the year of the application of the amendments to IAS 16 and IAS 41 (as revised in 2014)

Impact on profit for the year	**Year ended 30 September 2016 (as previously stated)**	**IAS 16/IAS 41 adjustments**	**Year ended 30 September 2016 (as restated)**
	Shs'000	**Shs'000**	**Shs'000**
Profit before tax	1,918,139	45,055	1,963,194
Adjustments			
Reversal of fair value loss of biological assets		153,386	
Fair value loss of sisal agricultural produce at point of harvest		(120,182)	
Development of bearer plants now capitalised		48,473	
Amortisation of bearer plants		(36,622)	
Net adjustment		45,055	

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

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

		Effective for annual periods beginning on or after
IAS 7	Statements of cashflows	1 January 2017
IAS 12	Income taxes	1 January 2017
IAS 40	Investment property	1 January 2018
IFRS 2	Share-based payment	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

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

IFRS 12	Disclosure of interests in other entities	1 January 2017
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

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

- **IAS 7 Statement of cash flows**

  The amendments require disclosure of information which will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

  Application of the amendments may result in the provision of additional disclosures.

- **IAS 12 Income taxes**

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

- Unrealised losses on debit instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

  Application of these amendments is not expected to result in any material impact to the group's financial statements.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

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

- **IAS 40 Investment property**

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

- **IFRS 2 Share based payments**

  The amendments clarify various issues relating to the classification and measurement of share-based transactions. As the group did not have, and does not expect to have, any share-based transactions, the amendments are not expected to have any impact on the group.

- **IFRS 9 Financial instruments**

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

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

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

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

- **IFRS 16 Leases**

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

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

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

- **IFRS 12 Disclosure of interests in other entities**

  The amendments clarify that the disclosure requirements contained in this standard, other than those contained in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. As the group does not have interests in other entities which are held for sale, the amendments are not expected to have any impact.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

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

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

- **IFRIC 22 Foreign currency transactions and advance consideration**

  The interpretation clarifies the accounting treatment for transactions that include the receipt or payment of advance consideration in a foreign currency. As the group does not normally receive advance consideration, the interpretation is not expected to have any material impact to the group's financial statements.

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

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

Consolidation

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

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

Costs related to acquisitions are expensed as incurred.

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

A list of subsidiary companies is shown in Note 16.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Functional currency and translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

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

Consolidation

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

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

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

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

Non-current assets held for sale

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

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

Sales of goods are recognised upon dispatch of the products.

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

Inventories

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

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

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

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

Property, plant and equipment

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

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

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

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

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

Investment property

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

Investment in unquoted shares

Unquoted investments are stated at cost less provision for impairment.

Biological assets

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

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

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.

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Accounting for leases

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

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

Taxation

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

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

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

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

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

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Post-employment benefit obligations

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

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

Notes to the consolidated financial statements *(Continued)*

2. Accounting policies *(Continued)*

Post-employment benefit obligations *(Continued)*

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

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

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation 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.

Investments

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

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

Borrowings

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

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

Trade payables

Trade payables are stated at their nominal value.

Fair value measurement

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

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

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

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

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

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

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

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.

2. Accounting policies *(Continued)*

Fair value measurement *(Continued)*

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

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

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

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

Share Capital

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

Provisions

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

Dividends

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

Comparatives

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

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 24 (b).

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

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

Changes in actuarial assumptions including mortality of participating members.

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

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

Deferred tax asset

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

Income taxes

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management

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

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

Categories of financial instruments	**Group**		**Company**	
	2017	**2016**	**2017**	**2016**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets				
Receivables including cash and cash equivalents	1,111,442	1,491,680	672,029	932,258
Financial liabilities				
Payables	177,168	195,167	81,516	88,009

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**	
	2017	**2016**	**2017**	**2016**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Group				
US Dollars	676,889	487,977	13,814	22,927
Sterling Pound	472	-	6,246	5,932
Euro	3,398	2,812	-	-
	680,759	490,789	20,060	28,859
Company				
US Dollars	474,720	215,123	2,413	1,999

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	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Impact on profit or loss:				
Euro	169 (i)	141 (i)	-	-
US Dollar	33,154(i)	23,253 (i)	23,615 (i)	10,656 (i)
Sterling Pound	289 (ii)	297 (ii)	-	-

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

(ii) Indicates the reduction in profit of a weakening of the Kenya Shilling against the Sterling Pound by 5%. A strengthening of the Kenya Shilling against the Sterling Pound by 5% would result in an increase of the same amount

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

Price risk

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Interest rate risk

The group had no interest bearing borrowings at the end of the reporting period or at the previous reporting period and therefore was not exposed to interest rate risk.

Credit risk

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

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

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

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

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk (continued)

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

Group

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2017			
Bank balances	364,705	-	-
Trade receivables	25,381	421	-
Related party receivables	383,063	-	-
Others	321,843	-	-
Total	1,094,992	421	-
2016			
Bank balances	394,512	-	-
Trade receivables	523,297	3,117	-
Related party receivables	298,441	-	-
Others	257,786	-	-
Total	1,474,036	3,117	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk (Continued)

Company

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2017			
Cash at bank	239,205	-	-
Trade receivables	598	-	-
Related party and group receivables	385,739	-	-
Others	42,259	-	-
Total	667,801	-	-
2016			
Cash at bank	279,823	-	-
Trade receivables	504,011	-	-
Related party and group receivables	86,575	-	-
Others	58,701	-	-
Total	929,110	-	-

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Credit risk (continued)

Bank balances are fully performing.

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

The default rate is low.

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

No amounts are considered to be impaired.

Liquidity risk

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

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

Group	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**
	Shs'000	**Shs'000**	**Shs'000**
2017			
Payables, accrued expenses and other liabilities	177,168	-	-
2016			
Payables, accrued expenses and other liabilities	195,167	-	-

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
2017			
Payables, accrued expenses and other liabilities	81,516	-	-
2016			
Payables, accrued expenses and other liabilities	88,009	-	-

Banking facilities

Bank loans and overdrafts payable at call and reviewed annually

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Amounts utilised	-	-	-	-
Amounts unutilised	85,195	85,680	10,000	10,000
Total available facilities	85,195	85,680	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	
2017	2016 Restated	2017	2016 Restated
Shs'000	Shs'000	Shs'000	Shs'000
4,526,735	4,730,304	1,698,319	1,938,772

Notes to the consolidated financial statements *(Continued)*

4. Financial risk management *(Continued)*

Capital risk management

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

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

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

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

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

5. Revenue from continuing operations

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre	2,890,649	3,449,540	754,664	946,729
Yarn & Twines	447,354	467,942	-	-
Horticulture	115,368	102,428	-	555
Forwarding services	74,903	69,371	-	-
	3,528,274	4,089,281	754,664	947,284

Notes to the consolidated financial statements *(Continued)*

6. Profit before tax (continuing operations)

Profit before tax (continuing operations)	**Group**		**Company**	
	2017	**2016 Restated**	**2017**	**2016 Restated**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
The profit before tax from continuing operations is arrived at after charging /(crediting):				
Depreciation on property, plant and equipment (Note 12)	288,106	265,328	73,889	70,139
Depreciation on investment property (Note 14)	140	72	140	72
Operating lease payments	10,206	15,917	5,746	8,418
Staff costs (Note 7)	1,129,079	1,049,253	400,806	399,785
Auditors' remuneration	10,275	9,342	3,340	3,035
Directors' emoluments - fees	3,480	3,120	3,480	3,120
-for management services	58,294	55,682	32,430	30,464
	61,774	58,802	35,910	33,584
Profit on disposal of property, plant and equipment	(6,407)	(5,594)	(3,496)	(4,505)

7. Staff costs

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Salaries and wages	1,009,291	921,993	361,695	358,242
National Social Security Fund	40,474	39,873	2,978	3,508
Pension contributions –defined benefit retirement scheme credit (Note 24(b))	(3,224)	(2,948)	(2,184)	(1,997)
Pension contributions – defined contribution scheme	4,386	3,928	2,476	2,306
Gratuity and other terminal benefits	40,427	43,873	19,550	19,038
Medical	37,725	42,534	16,291	18,688
	1,129,079	1,049,253	400,806	399,785
Summary of permanent employees				
Management	48	51	19	21
Supervisory	217	222	54	57
Unionisable	3,343	3,781	1,169	1,262
Others	11	11	7	7
	3,619	4,065	1,249	1,347

Notes to the consolidated financial statements *(Continued)*

8. Finance costs

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Interest expense	102	20	-	-

9. Tax

	2017 Shs'000	2016 Restated Shs'000	2017 Shs'000	2016 Restated Shs'000
(a) Tax charge recognised in profit or loss				
Current tax	277,375	513,596	43,173	109,307
Deferred tax charge/(credit) (Note 23)	90,610	(104,619)	17,515	(30,174)
	367,985	408,977	60,688	79,133

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 2017 Shs'000	Group 2016 Restated Shs'000	Company 2017 Shs'000	Company 2016 Restated Shs'000
Profit before tax	1,303,872	2,092,761	1,012,312	1,963,194
Less: loss for the year from discontinuing operations	-	(5)	-	-
Adjusted profit before tax from continuing operations	1,303,872	2,092,756	1,012,312	1,963,194
Tax calculated at a tax rate of 30%	391,162	627,826	303,694	588,959
Tax effect of:				
Income not subject to tax	(35,826)	(251,596)	(252,256)	(516,883)
Expenses not deductible for tax purposes	12,289	40,745	9,676	7,393
Over provision of deferred tax in prior year	(1,040)	(974)	(1,107)	(466)
Under provision of current tax in prior year	1,400	652	681	130
Tax provision on acquisition of subsidiary now realised	-	(7,676)	-	-
Tax charge	367,985	408,977	60,688	79,133
(b) Tax charge/(credit) recognised in other comprehensive income/(loss)				
Deferred tax charge/(credit) attributable to remeasurement of net defined benefit asset	5,937	(2,597)	4,019	(1,805)

Notes to the consolidated financial statements *(Continued)*

9. Tax *(Continued)*

(c) Tax movement

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
At beginning of year	5,345	171,932	6,215	66,780
Current year charge	277,375	513,596	43,173	109,307
Capital gains tax	-	(1,456)	-	-
Tax paid	(351,167)	(678,244)	(58,967)	(169,872)
Translation adjustment	(8)	(483)	-	-
At end of year	68,455	5,345	(9,579)	6,215
Balances at year end				
Tax recoverable	(72,576)	(3,273)	(9,579)	-
Tax payable	4,121	8,618	-	6,215
	68,455	5,345	(9,579)	6,215

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 2017 Shs'000	Group 2016 Restated Shs'000
Profit for the year from continuing and discontinued operations (Shs '000)	935,887	1,683,784
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	15.60	28.06

There were no potentially dilutive ordinary shares outstanding at 30 September 2017 and at 30 September 2016. Diluted earnings per share are therefore the same as basic earnings per share.

11. Dividends

Interim dividends amounting to Shs 20 per share were declared and paid in respect of the year ended 30 September 2017. (2016: Shs 28).

Notes to the consolidated financial statements *(Continued)*

12. Property, plant and equipment

(a) Group

Cost

	Leasehold land	Buildings	Plant and machinery	Software	Bearer plants	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 October 2015							
As previously stated	116,981	317,450	1,132,631	4,022	-	19,720	1,590,804
Prior year adjustment (Note 2(b)(i))	-	-	-	-	1,364,993	-	1,364,993
Restated	116,981	317,450	1,132,631	4,022	1,364,993	19,720	2,955,797
Additions	463	20,698	137,421	1,142	212,741	59,860	432,325
Transfers	-	7,082	45,828	-	-	(52,910)	-
Disposals	-	-	(20,605)	-	-	-	(20,605)
Assets written off	-	-	(11,613)	-	(75,757)	-	(87,370)
Translation adjustment	(1,213)	(4,325)	(22,059)	-	(25,993)	(742)	(54,332)
At 30 September 2016	116,231	340,905	1,261,603	5,164	1,475,984	25,928	3,225,815
At 1 October 2016							
As previously stated	116,231	340,905	1,261,603	5,164	-	25,928	1,749,831
Prior year adjustment (Note 2(b)(ii))	-	-	-	-	1,475,984	-	1,475,984
Restated	116,231	340,905	1,261,603	5,164	1,475,984	25,928	3,225,815
Additions	-	5,372	101,320	1,334	202,962	41,377	352,365
Transfers	-	28,862	28,704	-	-	(57,566)	-
Disposals	-	-	(22,473)	-	-	-	(22,473)
Assets written off	-	(229)	(25,191)	-	(89,312)	-	(114,732)
Translation adjustment	(218)	(1,028)	(5,250)	-	(5,745)	(75)	(12,316)
At 30 September 2017	116,013	373,882	1,338,713	6,498	1,583,889	9,664	3,428,659

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 2015							
As previously stated	9,194	42,435	686,561	868	-	-	739,058
Prior year adjustment (Note 2(b)(i))	-	-	-	-	458,156	-	458,156
Restated	9,194	42,435	686,561	868	458,156	-	1,197,214
Charge for the year	1,495	6,331	124,803	993	131,706	-	265,328
Eliminated on disposals	-	-	(20,561)	-	-	-	(20,561)
Eliminated on write offs	-	-	(11,613)	-	(75,757)	-	(87,370)
Translation adjustment	(151)	(431)	(14,009)	-	(7,982)	-	(22,573)
At 30 September 2016	10,538	48,335	765,181	1,861	506,123	-	1,332,038
At 1 October 2016							
As previously stated	10,538	48,335	765,181	1,861	-	-	825,915
Prior year adjustment (Note 2(b)(ii))	-	-	-	-	506,123	-	506,123
Restated	10,538	48,335	765,181	1,861	506,123	-	1,332,038
Charge for the year	1,492	7,473	135,400	1,090	142,651	-	288,106
Eliminated on disposals	-	-	(19,498)	-	-	-	(19,498)
Eliminated on write offs	-	(229)	(25,191)	-	(89,312)	-	(114,732)
Translation adjustment	(36)	(109)	(3,354)	-	(1,791)	-	(5,290)
At 30 September 2017	11,994	55,470	852,538	2,951	557,671	-	1,480,624
Net book amount							
At 30 September 2017	104,019	318,412	486,175	3,547	1,026,218	9,664	1,948,035
At 30 September 2016 - Restated	105,693	292,570	496,422	3,303	969,861	25,928	1,893,777

Notes to the consolidated financial statements *(Continued)*

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

(a) Group

Included in property, plant and equipment are assets with an original cost of Shs 360,828,000 (2016: Shs 360,537,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 61,361,000 (2016: Shs 56,999,000).

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 25,420,000 (2016: Shs 11,613,000) and had a carrying value of Shs nil (2016: Shs nil). Bearer plants with a total cost of Shs 89,312,000 (2016:Shs 75,757,000) and a carrying value of Shs nil (2016:Shs nil) were also cut out, having reached the end of their productive life.

Based on an impairment review performed by the directors at 30 September 2017, no further indications of impairment of property, plant and equipment were identified. (2016: 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 33 years to 46 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 2015							
As previously stated	2,236	119,989	282,429	1,689	-	1,005	407,348
Prior year adjustment (Note 2(b)(i))	-	-	-	-	366,954	-	366,954
Restated	2,236	119,989	282,429	1,689	366,954	1,005	774,302
Additions	463	2,891	30,255	-	48,473	4,524	86,606
Transfers	-	2,248	-	-	-	(2,248)	-
Disposals	-	-	(15,370)	-	-	-	(15,370)
Assets written off	-	-	(2,274)	-	(20,621)	-	(22,895)
At 30 September 2016	2,699	125,128	295,040	-	394,806	3,281	822,643
At October 2016							
As previously stated	2,699	125,128	295,040	1,689	-	3,281	427,837
Prior year adjustment (Note 2(b)(ii))	-	-	-	-	394,806	-	394,806
Restated	2,699	125,128	295,040	1,689	394,806	3,281	822,643
Additions	-	1,622	30,427	813	37,461	1,257	71,579
Transfers	-	775	3,763	-	-	(4,538)	-
Disposals	-	-	(10,712)	-	-	-	(10,712)
Assets written off	-	-	(9,389)	-	(22,675)	-	(32,064)
At 30 September 2017	2,699	127,525	309,129	2,502	409,592	-	851,446

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 2015							
As previously stated	6	13,245	158,425	544	-	-	172,220
Prior year adjustment (Note 2(b)(i))	-	-	-	-	129,638	-	129,638
Restated	6	13,245	158,425	544	129,638	-	301,858
Charge for the year	33	2,318	30,828	338	36,622	-	70,139
Eliminated on disposals	-	-	(15,334)	-	-	-	(15,334)
Eliminated on write offs	-	-	(2,274)	-	(20,621)	-	(22,895)
At 30 September 2016	39	15,563	171,645	882	145,639	-	333,768
At 1 October 2016							
As previously stated	39	15,563	171,645	882	-	-	188,129
Prior year adjustment (Note 2(b)(ii))	-	-	-	-	145,639	-	145,639
Restated	39	15,563	171,645	882	145,639	-	333,768
Charge for the year	33	2,601	31,399	340	39,516	-	73,889
Eliminated on disposals	-	-	(10,480)	-	-	-	(10,480)
Eliminated on write offs	-	-	(9,389)	-	(22,675)	-	(32,064)
At 30 September 2017	72	18,164	183,175	1,222	162,480	-	365,113
Net book amount							
At 30 September 2017	2,627	109,361	125,954	1,280	247,112	-	486,333
At 30 September 2016 - Restated	2,660	109,565	123,395	807	249,167	3,281	488,875

Included in property, plant and equipment are assets with an original cost of Shs 83,670,000 (2016:Shs 83,676,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 15,843,000 (2016:Shs 15,486,000).

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 9,389,000 (2016: Shs 2,274,000) and had a carrying value of Shs nil (2016: Shs nil). Bearer plants with a total cost of Shs 22,675,000 (2016:Shs 20,621,000) and a carrying value of Shs nil (2016:Shs nil) 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 2017, no indications of further impairment of property, plant and equipment were identified. (2016: 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

	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Sisal agricultural produce Shs'000	Total Restated Shs'000
At 1 October 2015				
Carrying amount at start of the year as previously stated	1,642,606	3,344	-	1,645,950
Prior year adjustment (Note 2(b)(i))	(1,642,606)	-	938,095	(704,511)
Carrying amount at start of the year restated	-	3,344	938,095	941,439
(Loss)/gain arising from changes in fair value attributable to physical changes	(970,228)	9,921	(250,145)	(1,210,452)
Gain/(loss) arising from changes in fair value attributable to price changes	140,505	-	(207,683)	(67,178)
Gain arising from changes in fair value attributable to changes in exchange rate and discount rate	58,573	-	-	58,573
Reversal of fair value loss (Note 2(b)(iii))	771,150	-	-	771,150
Net fair value gain/(loss) restated	-	9,921	(457,828)	(447,907)
Translation adjustment	-	-	(18,214)	(18,214)
At 30 September 2016				
Carrying amount at end year restated	-	13,265	462,053	475,318
At 1 October 2016				
Carrying amount at start of year as previously reported	836,614	13,265	-	849,879
Prior year adjustment (Note 2(b)(ii))	(836,614)	-	462,053	(374,561)
Carrying amount at start of the year restated	-	13,265	462,053	475,318
(Loss)/gain arising from changes in fair value attributable to physical changes	-	(11,239)	241,439	230,200
Gain arising from changes in fair value attributable to price changes	-	-	5,860	5,860
Net fair value (loss)/gain	-	(11,239)	247,299	236,060
Translation adjustment	-	-	(2,710)	(2,710)
At 30 September 2017				
Carrying amount at end of year	-	2,026	706,642	708,668

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

(b) Company

	Sisal plants and nurseries Shs'000	Sisal agricultural produce Shs'000
At 1 October 2015		
Carrying amount at start of year as previously stated	209,388	-
Prior year adjustment (Note 2(b)(i))	(209,388)	219,707
Carrying amount at start of the year restated	-	219,707
Loss arising from changes in fair value attributable to physical changes	(153,386)	(59,716)
Loss arising from changes in fair value attributable to price changes	-	(60,466)
Reversal of fair value loss (Note 2(b)(iii))	153,386	-
Net fair value loss restated	-	(120,182)
At 30 September 2016		
Carrying amount at end year restated	-	99,525
At 1 October 2016		
Carrying amount at start of year as previously stated	56,002	-
Prior year adjustment (Note 2(b)(ii))	(56,002)	99,525
Carrying amount at start of the year restated	-	99,525
Gain arising from changes in fair value attributable to physical changes	-	53,263
Gain arising from changes in fair value attributable to price changes	-	343
Net fair value gain	-	53,606
At 30 September 2017		
Carrying amount at end of year	-	153,131

Notes to the consolidated financial statements *(Continued)*

13. Biological assets *(Continued)*

In previous year, sisal plants were treated in their entirety as biological assets. During the year, the company adopted the amendments to IAS 16 and IAS 41 which were issued in 2014. These amendments state that sisal plants comprise of two components, bearer plants and growing produce. Bearer plants are accounted for at cost less accumulated amortisation in accordance with the principles of IAS 16 Property, plant and equipment. Growing produce continues to be accounted for 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, green grams, tomatoes, lucerne and water melon.

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

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

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

- Future production and sales estimates are based on budgets approved by the directors and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- The costs of production used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors.
- Current market prices are used to determine the fair value of horticultural crops.
- A discount rate is not applied to the anticipated net cash flows arising from horticultural crops. In view of the short term 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 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	
	2017	**2016**
	Shs'000	**Shs'000**
Cost		
At start of year	12,729	4,838
Additions	-	7,891
	12,729	12,729
Depreciation		
At start of year	455	383
Charge for the year	140	72
At year end	595	455
Carrying value at end of year	**12,134**	**12,274**
Fair value	34,819	34,819

The fair values of investment properties at 30 September 2017 are based on the value of the plot purchased in 2016. In the opinion of the directors, these valuations were still relevant at the end of the reporting period.

Notes to the consolidated financial statements *(Continued)*

15. Fair value hierarchy

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

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

Group

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2017			
Biological assets	-	-	708,668
Investment properties	-	34,819	-
30 September 2016			
Biological assets - Restated	-	-	475,318
Investment properties	-	34,819	-

Company

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000
30 September 2017			
Biological assets	-	-	153,131
Investment properties	-	34,819	-
30 September 2016			
Biological assets - Restated	-	-	99,525
Investment properties	-	34,819	-

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

The value of the investment properties is based on the recent purchase of a similar plot in 2016.

Notes to the consolidated financial statements *(Continued)*

16. Investment in subsidiaries

	Company	
	2017	**2016**
	Shs'000	**Shs'000**
Shares in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	57,558	58,093
	191,733	192,268

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

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

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

Notes to the consolidated financial statements *(Continued)*

17. Investment in unquoted shares – at cost

	Group and Company	
	2017 Shs'000	2016 Shs'000
At start of the year		
600 shares in Vipingo Beach Limited	10,028	9,151
Additions 100 shares in Vipingo Beach Limited	-	877
	10,028	10,028

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

18. Inventories

	Group		Company	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Sisal fibre at fair value less estimated cost of sale	331,431	513,759	97,474	135,999
Horticultural produce at fair value less estimated cost of sale	112	258	-	-
Finished goods at lower of cost or net realisable value less provision	59,935	42,166	-	-
Stores and raw materials at lower of cost or net realisable value less provision	234,203	247,779	37,303	34,585
	625,681	803,962	134,777	170,584

19. Receivables and prepayments

	Group		Company	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Trade receivables	25,802	526,414	598	504,011
Prepayments	32,822	28,858	5,657	7,673
Amount due from related parties (Note 29 (iv) & (v))	383,063	298,441	254,589	69,136
Amounts due from group companies (Note 29 (v))	-	-	131,150	17,439
VAT recoverable	285,543	230,105	34,103	57,948
Other receivables	36,300	26,040	8,156	753
	763,530	1,109,858	434,253	656,960

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

Notes to the consolidated financial statements *(Continued)*

20. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Cash in hand	16,029	16,168	4,228	3,148
Cash at bank				
Current accounts	156,607	86,306	31,107	31,617
Deposit accounts – Ksh				
Call deposits	-	20,000	-	-
Term deposits	-	145,536	-	105,536
	-	165,536	-	105,536
Deposit accounts – USD	208,098	139,966	208,098	139,966
	208,098	305,502	208,098	245,502
Total cash at bank	364,705	391,808	239,205	277,119
Cash in transit	-	2,704	-	2,704
Total cash and cash equivalents	380,734	410,680	243,433	282,971

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

	2017	2016	2017	2016
Call deposit - Ksh	-	7%	-	-
Term deposit – Ksh	-	7.67%	-	7.35%
- USD	3.5%	3.7%	3.5%	3.17%

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

Notes to the consolidated financial statements *(Continued)*

21. Discontinued operations

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

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

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

	2017	2016
	Shs'000	Shs'000
Expenses		
Bank charges	-	(5)
	-	(5)

(b) Assets and liabilities classified as held for sale

Group and Company

Assets held for sale comprise:

	At 1.10.16	Disposals during the year	At 30.09.17
	Shs'000	Shs'000	Shs'000
Land	25,287	(2,369)	22,918

Notes to the consolidated financial statements *(Continued)*

21. Discontinued operations (continued)

(c) Profit on sale of subsidiary	Group and Company	Group	Company
	2017	2016	2016
	Shs'000	Shs'000	Shs'000
Cash received	-	386,209	386,209
Assumption of RVP liability	-	434,293	434,293
Total consideration	-	820,502	820,502
Original cost of shares	-	-	(369,899)
Assets disposed of:			
Property, plant and equipment	-	(24,379)	-
Due from REA Vipingo Plantations Limited	-	(434,293)	-
Taxation recoverable	-	(801)	-
Cash and bank balances	-	(41)	-
	-	(459,514)	(369,899)
Legal costs on disposal	-	(500)	(500)
	-	(460,014)	(370,399)
Profit on disposal before tax	-	360,488	450,103
Capital gains tax on disposal	-	(22,505)	(22,505)
Profit on disposal after tax	-	337,983	427,598

Notes to the consolidated financial statements *(Continued)*

21. Discontinued operations (continued)

(d) Profit on sale of land

	Group and Company	
	2017	**2016**
	Shs'000	**Shs'000**
Consideration receivable	151,253	503,480
Less: legal costs incurred	(1,488)	(3,969)
Net consideration receivable	149,765	499,511
Carrying value of land	(2,369)	(34,087)
Profit on disposal before tax	147,396	465,424
Capital gains tax paid	(7,356)	(23,195)
Profit on disposal after tax	140,040	442,229

Notes to the consolidated financial statements *(Continued)*

22. Share capital

Share capital **Authorised, issued and fully paid**	**Number of shares (Thousands)**	**Ordinary shares Shs'000**	**Share Premium Shs'000**
Balance at 1 October 2015, 1 October 2016 and 30 September 2017	60,000	300,000	84,496

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

23. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2016: 30%). The movement on the deferred tax account is as follows:

	Group		**Company**	
	2017	**2016 Restated**	**2017**	**2016 Restated**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	481,430	600,663	99,077	131,056
Tax charge/(credit) recognised in profit or loss (Note 9 (a))	90,610	(104,619)	17,515	(30,174)
Tax charge/(credit) recognised in other comprehensive income (Note 9(b))	5,937	(2,597)	4,019	(1,805)
Translation adjustment	(2,278)	(12,017)	-	-
At end of year	575,699	481,430	120,611	99,077

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

	Group		**Company**	
	2017	**2016 Restated**	**2017**	**2016 Restated**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Deferred tax assets	(3,002)	(5,265)	-	-
Deferred tax liabilities	578,701	486,695	120,611	99,077
	575,699	481,430	120,611	99,077

Notes to the consolidated financial statements *(Continued)*

23. Deferred tax *(continued)*

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

Group

	1.10.2016 Restated Shs'000	Charged/ (credited) to profit or loss Shs'000	Charged to other comprehensive income/(loss) Shs'000	Translation adjustment Shs'000	30.9.2017 Shs'000
Deferred tax liabilities					
Accelerated tax depreciation	424,417	22,989	-	(1,731)	445,675
Horticultural crops	3,979	(3,372)	-	-	607
Sisal agricultural produce at point of harvest	138,616	74,190	-	(813)	211,993
Post employment benefit asset	9,713	3,007	5,937	-	18,657
	576,725	96,814	5,937	(2,544)	676,932
Deferred tax assets					
Provisions	(95,295)	(6,204)	-	266	(101,233)
Net deferred tax liability	481,430	90,610	5,937	(2,278)	575,699

	1.10.2015 Restated Shs'000	Charged/ (credited) to profit or loss Shs'000	Credited to other comprehensive income (loss) Shs'000	Translation adjustment Shs'000	30.9.2016 Restated Shs'000
Deferred tax liabilities					
Accelerated tax depreciation	391,541	40,690	-	(7,814)	424,417
Horticultural crops	1,003	2,976	-	-	3,979
Sisal agricultural produce at point of harvest	281,429	(137,348)	-	(5,465)	138,616
Acquisition of subsidiary	7,676	(7,676)	-	-	-
Post employment benefit asset	9,504	2,806	(2,597)	-	9,713
	691,153	(98,552)	(2,597)	(13,279)	576,725
Deferred tax assets					
Provisions	(90,490)	(6,067)	-	1,262	(95,295)
Net deferred tax liability	600,663	(104,619)	(2,597)	(12,017)	481,430

Notes to the consolidated financial statements *(Continued)*

23. Deferred tax *(continued)*

Company

	1.10.2016 Restated Shs'000	Charged / (credited) to profit or loss Shs'000	Charged to other comprehensive income/(loss) Shs'000	30.09.2017 Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	104,832	435	-	105,267
Sisal agricultural produce at point of harvest	29,858	16,082	-	45,940
Post employment benefit asset	6,580	2,041	4,019	12,640
	141,270	18,558	4,019	163,847
Deferred tax assets				
Provisions	(42,193)	(1,043)	-	(43,236)
Net deferred tax liability	99,077	17,515	4,019	120,611

	1.10.2015 Restated Shs'000	Charged / (credited) to profit or loss Shs'000	Credited to other comprehensive income/(loss) Shs'000	30.09.2016 Restated Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	98,682	6,150	-	104,832
Sisal agricultural produce at the point of harvest	65,912	(36,054)	-	29,858
Post employment benefit asset	6,484	1,901	(1,805)	6,580
	171,078	(28,003)	(1,805)	141,270
Deferred tax assets				
Provisions	(40,022)	(2,171)	-	(42,193)
Net deferred tax liability	131,056	(30,174)	(1,805)	99,077

Notes to the consolidated financial statements *(Continued)*

24. Post employment benefit obligations/(asset)

Post employment benefit obligations/ (asset)	**Group**		**Company**	
	2017 Shs'000	**2016 Shs'000**	**2017 Shs'000**	**2016 Shs'000**
Post employment benefit obligations/ (asset) comprise:				
(a) Staff retirement gratuity	226,708	206,287	98,379	88,460
(b) Defined benefit retirement scheme	(62,194)	(32,375)	(42,134)	(21,933)

(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**	
	2017 Shs'000	**2016 Shs'000**	**2017 Shs'000**	**2016 Shs'000**
At start of year	206,287	186,599	88,460	79,667
Charged to profit or loss	35,997	37,092	19,319	18,120
Utilised during year	(15,188)	(15,626)	(9,400)	(9,327)
Translation adjustment	(388)	(1,778)	-	-
At end of year	226,708	206,287	98,379	88,460

(b) Defined benefit retirement scheme

The group operates a final salary defined benefit pension scheme for certain employees. The assets of the scheme are held in a separate trustee administered fund. The pension cost to the group is assessed in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years. The next full valuation is due on 1 January 2018.

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

	Group		**Company**	
	2017 Shs'000	**2016 Shs'000**	**2017 Shs'000**	**2016 Shs'000**
Present value of funded obligations	251,848	220,796	170,609	149,574
Fair value of scheme assets	(334,049)	(285,545)	(226,296)	(193,437)
Effect of asset ceiling	20,007	32,374	13,553	21,930
Net asset in statement of financial position	(62,194)	(32,375)	(42,134)	(21,933)

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

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

	Group	
	2017 Shs'000	2016 Shs'000
Opening defined benefit asset	(32,375)	(31,681)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	1,896	1,890
Interest on obligation	32,555	27,361
Interest on effect of asset ceiling	4,759	4,514
Interest income on plan assets	(42,434)	(36,713)
Net credit for the year included in staff costs (Note 7)	(3,224)	(2,948)
Employer's contributions	(6,804)	(6,403)
Amount recognised in other comprehensive income:		
Actuarial loss – obligation	(2,838)	477
Return on plan assets (excluding amount in interest cost)	174	12,005
Change in effect of asset ceiling (excluding amount in interest cost)	(17,124)	(3,825)
Total amount recognised in other comprehensive income	(19,792)	8,657
Defined benefit asset at the end of the reporting period	(62,194)	(32,375)
Reconciliation of benefit obligation		
Opening benefit obligation	220,796	191,072
Current service cost	1,896	1,890
Interest cost	32,555	27,361
Employee contributions	3,242	3,041
Actuarial (gain)/loss – change of assumptions	(2,838)	477
Benefits paid	(3,803)	(3,045)
Closing benefit obligation	251,848	220,796
Reconciliation of assets		
Opening market value of assets	(285,545)	(254,437)
Interest income on plan assets	(42,434)	(36,713)
Employer contributions	(6,805)	(6,404)
Employee contributions	(3,242)	(3,041)
Return on plan assets	174	12,005
Benefits paid	3,803	3,045
Closing market value of assets	(334,049)	(285,545)

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

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

	Company	
	2017	2016
	Shs'000	Shs'000
Opening defined benefit asset	(21,933)	(21,613)
Amounts recognised in profit or loss:		
Current service cost net of employees' contributions	1,284	1,280
Interest on obligation	22,054	18,535
Interest on effect of asset ceiling	3,224	3,058
Interest income on plan assets	(28,746)	(24,870)
Net credit for the year included in staff costs	(2,184)	(1,997)
Employer's contributions	(4,619)	(4,338)
Amount recognised in other comprehensive income	(13,398)	6,015
Defined benefit asset at the end of the reporting period	(42,134)	(21,933)

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

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (continued)

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

	2017	2016
- discount rate	13.70%	14.70%
- future salary increases	10.0%	10.0%
- future pension increases	0%	0%

Other disclosures

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

2017

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

2016

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

Notes to the consolidated financial statements *(Continued)*

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

(b) Defined benefit retirement scheme (Continued)

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

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

Maturity Analysis of the Liability:
The weighted average duration of the liability as at 30 September 2017 is 2.2 (2016: 2.6)

Scheme assets

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

	2017 Shs'000	%	2016 Shs'000	%
Government securities	154,275	46.2	134,942	47.3
Quoted equities	91,544	27.4	79,772	27.9
Commercial paper and corporate bonds	34,806	10.4	34,772	12.2
Fixed deposits	52,081	15.6	34,336	12.0
Cash and contributions due	1,343	0.4	1,723	0.6
	334,049	100.0	285,545	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	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Defined contribution benefit scheme	4,386	3,928	2,476	2,306

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	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
National Social Security Fund	40,474	39,873	2,978	3,508

Notes to the consolidated financial statements *(Continued)*

25. Payables and accrued expenses

Payables and accrued expenses	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	63,747	86,935	17,833	15,224
Amount due to related parties (Note 29 (iv) & (v))	10,009	10,742	2,457	1,999
Amounts due to group companies (Note 29 (v))	-	-	14,912	25,250
Provision for leave pay	34,738	35,381	14,916	14,617
Accrued expenses	25,364	26,067	3,997	8,899
Other payables	43,310	36,042	27,401	22,020
	177,168	195,167	81,516	88,009

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

26. Contingent liabilities

The 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.

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Notes to the consolidated financial statements *(Continued)*

27. Commitments

Capital commitments

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

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Authorised and contracted for	46,021	33,789	-	6,136

Operating lease commitments

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

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	6,597	5,759	4,992	4,892
Between 2 and 5 years	14,625	19,437	14,625	19,437
Over 5 years	-	-	-	-
	21,222	25,196	19,617	24,329

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

Notes to the consolidated financial statements *(Continued)*

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

	Group	
	2017	**2016**
		Restated
	Shs'000	**Shs'000**
Reconciliation of profit before tax from continuing and discontinued operations to net cash generated from operations		
Profit before tax from continuing operations	1,303,872	2,092,761
Adjustment for:		
Defined benefit retirement scheme credit recognised in profit for the year (Note 24 (b))	(3,224)	(2,948)
Employer's contributions to defined benefit scheme (Note 24 b))	(6,804)	(6,403)
Finance costs recognised in the profit for the year	102	20
Interest receivable recognised in the profit for the year	(58,199)	(32,038)
Depreciation of property, plant and equipment (Note 12)	288,106	265,328
Depreciation of investment property (Note 14)	140	72
Fair value adjustment of biological assets (Note 13)	(236,060)	447,907
Profit on sale of property, plant and equipment	(6,407)	(5,594)
Profit on sale of subsidiary (Note 21 (c))	-	(337,983)
Profit on sale of land (Note 21 (d))	(140,040)	(442,229)
Loss from discontinued operations	-	(5)
Operating profit before working capital changes	1,141,486	1,978,888
Working capital changes		
- receivables and prepayments	510,184	(616,439)
- inventories	175,009	(250,233)
- payables and accrued expenses	(17,371)	25,927
- post employment benefit obligations	20,809	21,466
Net cash generated from continuing and discontinued operations	1,830,117	1,159,609

Notes to the consolidated financial statements *(Continued)*

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

	Company	
	2017	2016
		Restated
	Shs'000	Shs'000
Reconciliation of profit before tax to net cash generated from operations		
Profit before tax	1,012,312	1,963,194
Adjustments for:		
Defined benefit scheme credit recognised in profit for the year (Note 24(b))	(2,184)	(1,997)
Employer's contributions to defined benefit retirement scheme (Note 24(b))	(4,619)	(4,338)
Interest receivable recognised in profit for the year	(49,734)	(25,869)
Depreciation of property, plant and equipment (Note 12)	73,889	70,139
Depreciation of investment properties (Note 14)	140	72
Profit on sale of property, plant and equipment	(3,496)	(4,505)
Profit on sale of subsidiary (Note 21(c))	-	(427,598)
Profit on sale of land (Note 21(d))	(140,040)	(442,229)
Fair value adjustment of sisal agricultural produce	(53,606)	120,182
Operating profit before working capital changes	832,662	1,247,051
Working capital changes		
- receivables and prepayments	388,267	(500,974)
- inventories	35,807	(71,650)
- payables and accrued expenses	(6,493)	(444,401)
- post employment benefit obligations	9,919	8,793
Net cash generated from operations	1,260,162	238,819

Notes to the consolidated financial statements *(Continued)*

29. 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:

	Group	
	2017	2016
	Shs'000	Shs'000
(i) Sales of goods and services		
Wigglesworth & Company Limited – UK		
Sale of sisal fibre and yarns	2,958,932	3,481,890
Afchem Limited – Management Services	240	240
REA Trading Limited - Interest receivable	6,941	-
	2,966,113	3,482,130
(ii) Purchase of management and legal services		
Kaplan & Stratton	2,747	9,289
REA Trading Limited	8,231	-
Chequered Flag Limited	134	272
	11,112	9,561

(iii) Key management compensation

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

	2017	2016
Salaries and other short term benefits	121,975	114,293
Post employment benefits	1,394	1,287
Directors fees	3,480	3,120
	126,829	118,700

Notes to the consolidated financial statements *(Continued)*

29. Related party transactions *(Continued)*

	Group	
	2017	2016
	Shs'000	Shs'000
(iv) Outstanding balances		
Current receivables (Note 19)		
Wigglesworth & Company Limited – UK	224,752	298,232
Afchem Limited	26	209
REA Trading Limited	158,285	-
	383,063	298,441
Current payables (Note 25)		
Wigglesworth & Company Limited - UK	9,949	10,726
Chequered Flag Limited	60	16
	10,009	10,742

	Company	
(v) Outstanding balances	2017 Shs'000	2016 Shs'000
Current receivables (Note 19)		
Amounts due from group companies		
Amboni Plantations Limited	1,344	8,568
Amboni Spinning Mill Limited	-	2,538
Wigglesworth Exporters Limited	7,506	6,333
Dwa Estate Limited	122,300	-
	131,150	17,439
Amount due from related parties		
Wigglesworth & Company Limited – UK	96,278	68,927
Afchem Limited	26	209
REA Trading Limited	158,285	-
	254,589	69,136

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

Notes to the consolidated financial statements *(Continued)*

29. Related party transactions *(Continued)*

Related party transactions (continued)	Company	
	2017	**2016**
(v) Outstanding balances (continued)	**Shs'000**	**Shs'000**
Current payables (Note 25)		
Amounts due to group companies		
Amboni Spinning Mill Limited	14,912	-
Dwa Estate Limited	-	25,250
	14,912	25,250
Amount due to related parties		
Wigglesworth & Company Limited – UK	2,413	1,999
Chequered Flag Limited	44	-
	2,457	1,999

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

REA VIPINGO PLANTATIONS

Proxy Form

I/We ____

of ____

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

or failing him Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 23rd March 2018 and at any adjournment thereof.

Signature ______________________________ Date ______________ 2018

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 21st March 2018.

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

REA VIPINGO PLANTATIONS LIMITED
Head Office, P. O. Box 17648 Nairobi 00500 Kenya
Telephone: +254 (20) 6007091 Fax: +254 (20) 600 7116
Email: info@reavipingo.co.ke
www.reavipingo.com