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Directors

The directors of the company are as follows:

Oliver Fowler

Chairman, non-executive, aged 59, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 30 years. He was raised on a tea plantation in Limuru, of which he was a director until 2009.

Neil Cuthbert

Managing, aged 56, has been managing director since 2000 having previously been group general manager. He has had overall responsibility for the Kenya estates since the formation of the company and has worked for the REA group in Kenya since 1979.

Richard Robinow

Non-executive, aged 66, has been a director of R.E.A. Holdings plc since 1978 and chairman since 1984. After an initial career in investment banking, he has been involved in the plantation business since 1974. He is a non-executive director of Sipef SA and M P Evans Group plc. R.E.A. Holdings plc, M P Evans Group plc and Sipef SA are European public companies which own and operate plantations in various parts of the world.

Stephen Waruhiu

Independent non-executive, aged 57, is a licensed valuer and estate agent. He is the managing director of Lloyd Masika Limited and has been practising as a valuer and estate agent in Kenya and also in Tanzania and Uganda for over 30 years.

Brown Ondego

Independent non-executive, aged 60, has extensive experience in the shipping industry. Whilst serving as managing director of Mackenzie Maritime Limited he was recruited to serve as managing director of Kenya Ports Authority, a position he held until 2005. He is currently executive chairman of Rift Valley Railways Limited and a non-executive director of Barclays Bank of Kenya Limited.

Secretary and registered office

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

Registrars and transfer office

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

Principal Bankers

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

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

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

Independent auditor

Deloitte & Touche,
Certified Public Accountants (Kenya),
Deloitte Place, Waiyaki Way,
Muthangari,
P.O. Box 40092, Nairobi 00100

Advocates

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

Notice is hereby given that the seventeenth annual general meeting of the company will be held at Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Friday 30 March 2012, 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 2011.

3. To approve the payment of a first and final dividend for the year ended 30 September 2011 of Shs 1.10 per share payable on or about 14 June 2012 to shareholders registered at the close of business on 30 March 2012.

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 2012.

6. To note that Deloitte & Touche continue as auditors under the provisions of section 159(2) of the Kenyan Companies Act.

7. To authorise the directors to negotiate the auditors' remuneration.

By order of the board

I R HODSON
Secretary
16 January 2012

Note:

Election of directors
Article 82E states as follows:
No person, other than a Director retiring at the meeting, shall, unless recommended by the Directors for election, be eligible for appointment as a Director at any General Meeting unless, not less than seven nor more than twenty-one days before the day appointed for the meeting, there shall have been delivered to the Secretary a notice in writing signed by a Member, duly qualified to attend and vote at the meeting for which notice has been given, of his intention to propose such person for election and notice in writing, signed by the person to be proposed, of his/her willingness to be elected.

Corporate governance is the process and structure used to direct and manage the business affairs of the group companies towards enhancing prosperity and corporate accountability with the ultimate objective of realising long term value for shareholders while taking into account the interests of other stakeholders.

The board is committed to applying corporate governance principles relevant to the circumstances of the group. In formulating appropriate corporate governance principles, the board takes into close consideration the guidelines on corporate governance best practices issued by the Capital Markets Authority, as well as adherence to internationally accepted best practice. The directors are committed to the maintenance of appropriate internal control systems to safeguard the assets of the group and ensure the reliability of financial information for reporting to all stakeholders.

Board of Directors

The board is composed of five directors. Brief biographical notes are given on page 2 of this report. Four of the directors, including the chairman of the board, are non-executive directors. Directors are appointed on the basis that the board should provide a broad range of experience and expertise relevant to the requirements of the group, whilst taking into consideration the need to represent the interests of the minority shareholders.

Non-executive directors are required to retire and seek re-election at least once every three years. A director appointed during the year is required to retire and seek re-election at the next Annual General Meeting.

The board has delegated authority for the day-to-day operations of the group to the Managing Director and senior personnel. The principal responsibilities of the directors are to define the mission and strategy of the group and to ensure that the group complies with statutory and regulatory requirements and its responsibilities to its shareholders. The full board meets at least twice a year for scheduled meetings and on other occasions as may be necessary to deal with specific matters that require attention between the scheduled meetings.

Directors are provided with full and timely information to enable them to discharge their responsibilities effectively. Non-executive directors are encouraged to develop their knowledge of the operations of the group by visits to the various locations of the group and interaction with senior management.

Committees of the Board

There are three standing committees of the board with written terms of reference:

The Audit Committee comprises of Oliver Fowler, Richard Robinow and Stephen Waruhiu. Its principal responsibilities include reviewing of financial and other reports, agreeing the scope of the audit and subsequently reviewing the results of the audit, ensuring the independence of the auditors and reviewing the audit fee. The audit committee normally holds two formal meetings in each year, to which the external auditor is invited. In addition, the committee consults by electronic means as may be necessary.

An independent auditing organisation is engaged to carry out appraisals of the systems of internal control at all group operations and specific unannounced audits.

The Nomination Committee comprises of Oliver Fowler, Richard Robinow and Neil Cuthbert. It makes recommendations to the board relating to the appointment of directors. The committee meets as and when required.

Committees of the Board *(continued)*

The Remuneration Committee comprises Richard Robinow and Oliver Fowler. It is responsible for the determination of the executive director's remuneration. It meets annually or as may be required.

Communication with shareholders

An annual report is distributed to all shareholders at least 21 days prior to the annual general meeting. Other communications are distributed as necessary.

The group maintains a website, *www.reavipingo.com*, which gives general information about the group. Annual and half yearly reports are posted on the website as soon as practicable after approval for issue by the board.

Directors' emoluments and loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year are disclosed in Note 7 to the financial statements. Remuneration to non-executive directors is approved by members at the annual general meeting. There were no directors' loans at any time during the financial year.

There are no long-term service contracts relating to the position of any director.

There are no arrangements in place to which the company is a party whereby directors might acquire benefits by means of the acquisition of shares in the company.

Employment and environmental practices

The group regularly carries out training programmes that cater for all grades of staff. The group strives to ensure that, wherever possible, there is a clear plan of succession at managerial and supervisory levels and has a policy of promoting from within wherever possible.

The Board has adopted policies and issued policy statements relating to Health and Safety, HIV/AIDS and Employment Policies in general.

Health and Safety Committees, with equal representation from management and unionisable employees, are established on both of the Kenyan Estates and meet quarterly. The Kenyan Estates are subject to annual Health and Safety audits in compliance with legislation. Health and Safety is also receiving more attention in Tanzania and committees have been established.

Environmental audits, as required by Kenyan legislation, are conducted regularly. The group is committed to the protection of the environment and plants a number of trees every year at most locations. Solid sisal waste from the decorticating process is recycled by applying it to the fields as a natural fertiliser.

The group has recently designed and developed a method of recovering waste water from two of the sisal decorticators at Dwa Estate. Reservoirs to store waste water have been constructed and the water has successfully been used for irrigation of horticulture crops. Work is currently ongoing to develop the project further with the intention that all waste water at Dwa Estate will, in future, be harvested and used for irrigation purposes.

A project to harvest as much rain water as possible from factory roofs is being designed at Dwa Estate, again with the view to utilising the water for horticulture irrigation.

Corporate social responsibility

The group devotes considerable resources towards the social welfare of its employees and their dependants. Housing is provided to most employees on all group estates and all houses are regularly maintained and provided with easy access to potable water, shops, clinics and schools.

All estates within the group have medical facilities for employees and their immediate dependants and on the larger estates these facilities include ward beds and laboratories. All medical facilities are manned by suitably qualified professionals and are stocked with a wide range of drugs.

The medical facilities on our Tanzanian estates have all been upgraded recently and additional better qualified staff hired.

In recent years strong emphasis has been placed upon HIV/AIDS education. In conjunction with various NGOs, a number of awareness programmes have been established, peer counsellors from among the workforce have been trained, and testing and treatment facilities made available.

The group operates nursery schools for employees' children on its estates which are fully funded by the group. Infrastructural and other support is provided to government primary schools situated on group estates and the group has in place a scholarship scheme whereby selected talented children of employees are provided with assistance with secondary school fees.

In both Kenya and Tanzania, the group also assists community schools outside of the estates, but within the vicinity in which the group operates, usually by way of assistance with building materials and infrastructure.

The group acknowledges its responsibilities to the general community and participates in a variety of other social projects within the areas in which it operates and also donates on a regular basis to a number of charities.

Directors' interest

The interest of the directors in the shares of the company at 30 September 2011 were as follows:

Name of director	Number of ordinary shares
Oliver Fowler	58,929
Neil Cuthbert	1,821,992
Richard Robinow	26,786

In addition, companies controlled by the Robinow family and their subsidiary and associated companies own 34,226,854 shares in the company.

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

Name	No of Shares	Percentage
REA Holdings plc	21,880,745	36.47%
REA Trading Limited	12,346,109	20.57%
N.R. Cuthbert	1,821,992	3.04%
CFC Stanbic Nominees Limited A/C R93201	1,000,000	1.67%
Shardaben Vithandas Morjaria	863,377	1.44%
Mamujee Brothers Foundation	687,907	1.15%
Standard Chartered Nominee Account 9854	684,839	1.14%
Aly-Khan Satchu	541,400	0.90%
Prime Securities Investments Trust	529,278	0.88%
Ogura Trading Company Limited	514,286	0.86%
	40,869,933	68.12%
6,230 other shareholders	19,130,067	31.88%
	60,000,000	100.00%

Distribution schedule

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
1-500	2,523	435,804	0.73%
501-5,000	3,216	4,926,625	8.21%
5,001-10,000	223	1,668,349	2.78%
10,001-100,000	236	5,412,145	9.02%
100,001-1,000,000	39	11,508,231	19.18%
Above 1,000,000	3	36,048,846	60.08%
	6,240	60,000,000	100.00%

Shareholder profile

Local individual shareholders	5,712	18,029,744	30.05%
Local institutional shareholders	455	5,458,853	9.10%
Foreign individual shareholders	68	1,769,963	2.95%
Foreign institutional shareholders	5	34,741,440	57.90%
	6,240	60,000,000	100.00%

The year to 30 September 2011 has been a rewarding one for the group and I am pleased to be able to report that our results for the year represent a record.

Overall the group estates received good rainfall and, although Dwa suffered to some extent during the last quarter of the financial period, distribution was generally satisfactory. As a result, sisal fibre production volumes were good. A total of 19,540 tonnes of sisal fibre was produced on the group estates, a material (15.5%) increase over the 16,920 tonnes produced during the previous year. The Kigombe estate in Tanzania that was acquired in September 2010, produced 1,241 tonnes in its first year under our control, slightly more than we had anticipated. The 18,299 tonnes produced from the group's established estates was significantly more than we have produced previously and is a direct result of the consistent investment that has been made on these estates over recent years in terms of enhanced plantings, factory capacity and infrastructure, assisted by favourable weather conditions.

The sisal fibre market gradually strengthened over the year under review and, by year end, prices had reached a very satisfactory level. During the final months of the year, the Kenya shilling had weakened materially against the US dollar, the currency in which sisal is traded. As a result, we were able to take advantage for this limited period of good dollar prices and a favourable exchange rate.

Our Tanga spinning mill was busy throughout the year with good sales into both the local and international markets. Overall production was 2,774 tonnes, almost the same as the previous year. We had some success in increasing sales prices of mill product and, despite the major increase in fibre input costs, were able to produce a reasonable return from this facility.

The improved trading environment and materially higher production of sisal fibre resulted in the group increasing turnover by Shs 674 million to Shs 2.11 billion. Profit before tax for the year increased by Shs 575 million to Shs 679 million. It should be noted that the reported profit before tax includes a fair value gain resulting from the application of International Accounting Standard (IAS) 41 – Agriculture, of Shs 153 million compared to a fair value gain of Shs 3 million the previous year, as well as an actuarial gain relating to the defined benefit retirement scheme of Shs 9 million. Members are reminded that fair value gains do not represent a cash profit.

Operating costs in both Tanzania and Kenya have risen over the past 12 months or so as a result of higher fuel costs, increasing electricity supply costs, rising labour costs in Kenya, and general inflation. Electricity supply in Tanzania has been, and continues to be, poor with the result that we are using generators for extended periods and consuming large amounts of diesel at high prices.

The Dwa vegetable project is progressing well but remains in a development phase. Water availability for irrigation is key and our management has made great efforts to maximise recovery of waste water from the sisal factory. It is expected that during the current year we will be in a position to utilise most of our waste water for irrigation of an expanded horticulture area. In addition, we have recently leased a 130 acre parcel of land on the Athi River for development as a satellite vegetable operation. The area was brought into production in December 2011.

Whilst the sisal fibre price remains at a satisfactory level, your directors are mindful of the turmoil and volatility of the global economy into which we sell our product. In addition, the recent major strengthening of the local currencies against the US dollar, and the massive increase in the cost of borrowing money in Kenya, is of concern. Notwithstanding these uncertainties, your board feels that an increase in dividend is justified and recommends a first and final dividend amounting to Shs 1.10 per share, be paid in respect of the year ended 30 September 2011, an increase of Shs 0.30 per share over the preceding year.

Finally, may I, on behalf of the board, convey my appreciation to all of the group's staff for their excellent efforts and support throughout the year.

OLIVER FOWLER

CHAIRMAN

16 January 2012

The review of operations provides information on the group's operations. Areas are given as at 30 September 2011 and crops are stated for the whole year ended on that date and referred to as the 2011 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 8,990 hectares made up as follows:

	Hectares
Mature sisal	3,401
Older sisal	344
Immature sisal	1,258
Nurseries	75
Other areas	3,812
Horticulture	100
	8,990

Dwa entered the financial period under review with an excellent leaf position as a result of a good rainfall distribution during the first half of 2010 and, as a result, had a stronger than normal first quarter. The November rains were satisfactory and the estate produced good volumes of high grade fibre throughout the early part of the financial year. Unfortunately, the March/April rains ended earlier than normal and, as a consequence, the final quarter was very dry and decortication was difficult.

Despite the more difficult production conditions towards the end of the financial year, overall Dwa had an excellent year with a baled production of 7,057 tonnes (2010 – 6,692 tonnes), the first time that the estate has produced in excess of 7,000 tonnes of fibre in a year. The increased output from Dwa is the result of the major investments made on this estate in recent years in expanded planted areas, factory capacity, equipment and infrastructure. A new brushroom has just been commissioned and a further baling press is currently being installed and, once fully operational, will enable the estate to function at the 7,000 tonnes per annum level on a regular basis.

The estate entered the current financial period badly needing rain which, fortunately, we have had in November. Providing satisfactory rain is received in April, the estate should be able to produce a similar volume of fibre this year.

The annual sisal replanting at Dwa is carried out, in the main, prior to the November rains, historically the more reliable in the area, and some 535 hectares were planted in 2011.

Horticulture

The horticulture project at Dwa is dependent on water for its further development and, during the year under review, the main focus was on the development of water resources. Dwa is a dry area with limited water resources and so efforts have been concentrated on the recycling of waste water from the sisal factory. Considerable progress was achieved and, by financial year end, the estate was recovering almost 40% of its waste water and channelling this to the horticulture section.

Further investment is ongoing on water recovery with the aim that the estate will, during the course of the current year, be in a position to recover almost all of the water from the sisal factory.

The irrigation pivot at Dwa has been, and will continue to be, planted up with higher value crops which will, it is anticipated, from 2013 onwards produce a good contribution.

In parallel with the horticulture developments on the Dwa estate, a 130 acre plot was leased towards the

Dwa *(continued)*

end of the financial year on the Athi River, near to Dwa, and is being planted up, mainly with baby corn. Harvesting of crop from this facility started in December 2011 and it is expected that this site will produce over 1,000 tonnes gross of baby corn per annum.

Vipingo

The Vipingo estate is situated on the Kenya coast, some 30 kilometres north of Mombasa. The estate covers an area of 4,279 hectares made up as follows:

	Hectares
Mature sisal	1,920
Older sisal	496
Immature sisal	799
Nurseries	100
Other areas	964
	4,279

Vipingo recorded less rainfall than normal during the financial period but, fortunately, the distribution was very satisfactory with the result that, for most of the year, the estate enjoyed a satisfactory leaf position. The estate baled a total of 5,207 tonnes (2010 – 4,650 tonnes), slightly more than expected.

The November rains this year have been good at Vipingo and the estate is expected, given a reasonable rainfall distribution for the remainder of the year, to produce close to the levels of the previous period.

The areas set aside for annual replanting at Vipingo are being increased and will now be around 300 hectares per annum on average in order to bring the output from the estate to over 5,000 tonnes per annum on a consistent basis.

Planting at Vipingo is carried out, in the main, prior to the April rains and some 253 hectares were planted in the year under review.

Amboni Plantations Limited

The Amboni estates now 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 Pangani river some 60 kms south of Tanga. The Mwera estate is the operational centre for the Tanzanian business and has extensive workshop and other support facilities.

The Kigombe estate, acquired in September 2010, just prior to the start of the financial period under review, 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	4,080
Older sisal	1,203
Immature sisal	866
Nurseries	106
Other areas	8,581
	14,836

After a number of years of below average rainfall, the Tanzanian estates had good rains and the estates had, as a result, a good leaf position and adequate water for the factories throughout the year.

The major challenge for the group in Tanzania has been, and continues to be, a shortage of labour and

Amboni Plantations Limited *(continued)*

a very poor electricity supply and, during the year, the former problem did result in the group producing slightly less than we would have desired at the Mwera and Sakura estates. The Kigombe estate, which has a much smaller planted area, did, however, produce a little more than expected and overall production in Tanzania was 7,276 tonnes (2010 – 5,578 tonnes excluding Kigombe). Despite the labour difficulties, the Mwera and Sakura estates did increase output by a total of 457 tonnes to 6,035 tonnes.

Poor and inconsistent mains power supply necessitates the use of expensive standby generators at all locations on a regular, almost daily, basis.

The current rains in Tanzania have again been good but the shortage of labour persists and the recruitment exercises that have been ongoing for sometime are, so far, only showing a limited degree of success. Whilst the estates remain short of labour, production will be restricted to some extent and it is likely that volumes will remain at, or slightly below, current levels.

Replanting on the Tanzanian estates was a total of 390 hectares in 2010/2011.

Amboni Spinning Mill Limited

The Tanga spinning mill, situated on the outskirts of Tanga town, had a busy year with a total production of 2,774 tonnes (2010 – 2,710 tonnes).

Sales into both the international and local/regional markets were consistently good throughout the year and the mill was busy for most of the period.

We were able, particularly during the second half of the year, to increase sales prices and this, coupled with good volumes, enabled the mill to produce a reasonable contribution.

With further increases in the price of sisal fibre, the largest single cost for the mill, during the latter part of 2011, margins have tightened to some extent. Provided volumes can be maintained, and we are able to increase sales prices to some degree, it is expected that the mill will continue to make a contribution.

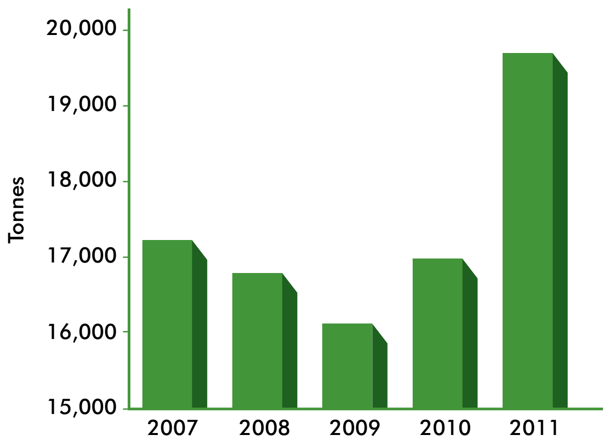
Marketing

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 2011. 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.

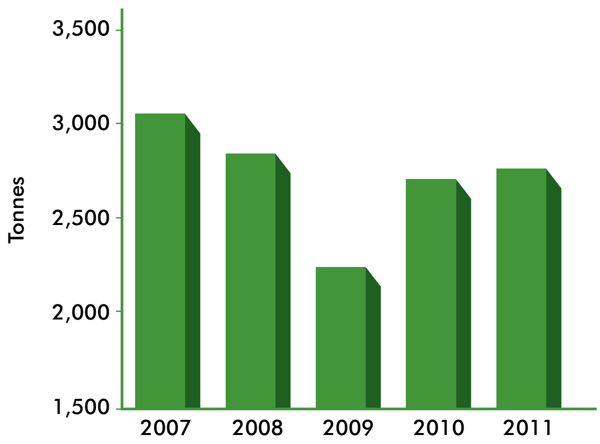
Group statistical information

Total sisal fibre production increased by 16% to 19,555 tonnes and spun product production also increased by 3% to 2,785 tonnes. The average price of sisal fibre increased by approximately $244 per tonne.

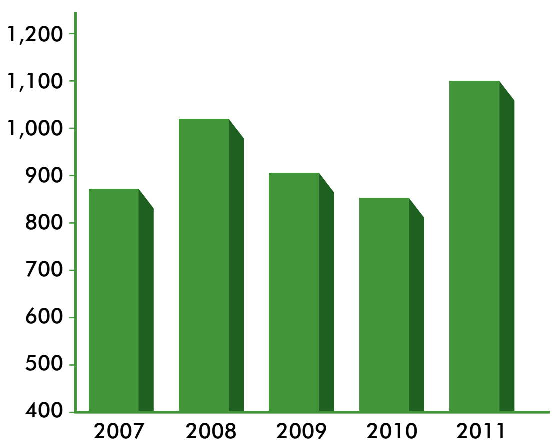
Fibre production



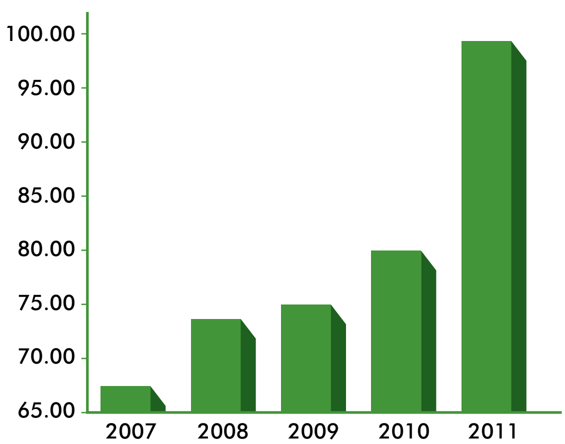
Yarn and twine production



Average fibre price per tonne (US Dollars)



Exchange rate at 30 September Kenya Shilling to US$



The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2011 which disclose the state of affairs of the group and the company.

Incorporation and registered office

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

Principal activities

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

Results and dividend

The group profit for the year of Shs 467,196,000 (2010: Shs 67,355,000) has been added to retained earnings.

The directors recommend the payment of a first and final dividend for the year ended 30 September 2011 of Shs.1.10 per share amounting to Shs 66,000,000.(2010: Shs 0.80 per share amounting to Shs 48,000,000).

Directors

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

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

Auditors

The auditors, Deloitte & Touche, continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

By order of the Board

I R HODSON
Secretary
16 January 2012

Statement of directors' responsibilities

The Kenyan Companies Act requires the directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure that the parent company and its subsidiary companies keep proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

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

16 January 2012

Report on the Financial Statements

We have audited the accompanying financial statements of REA Vipingo Plantations Limited and its subsidiaries, set out on pages 17 to 69, which comprise the consolidated and company statements of financial position as at 30 September 2011, and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 30 September 2011 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company so far as appears from our examination of those books; and

iii) the company's statement of financial position is in agreement with the books of account.

Deloitte & Touche
Certified Public Accountants (Kenya)

16 January 2012.
Nairobi

Consolidated statement of comprehensive income

	Notes	2011	2010
		Shs'000	Shs'000
Revenue	5	2,115,616	1,441,668
Gain arising from changes in fair value of biological assets	14	152,869	2,825
Cost of sales		(1,048,785)	(898,327)
Gross profit		1,219,700	546,166
Interest income		33	589
Other operating income		34,999	12,546
Foreign exchange gains – net		5,547	3,991
Distribution costs		(80,883)	(71,536)
Administrative expenses		(472,160)	(402,372)
Other operating expenses		(3,651)	(3,842)
Fair value gain on business combination	6	-	38,953
Legal expenses relating to business combination		-	(954)
Finance costs	9	(24,739)	(19,631)
Profit before tax	7	678,846	103,910
Tax charge	10	(211,650)	(36,555)
Profit for the year		467,196	67,355
Comprising:			
Profit arising from operating activities		360,188	30,037
Profit arising from changes in fair value of biological assets		107,008	1,977
Net fair value gain on business combination		-	35,341
		467,196	67,355
Other comprehensive income/(loss) for the year			
Foreign exchange adjustment on translation of foreign subsidiaries		60,565	(23,706)
Total comprehensive income for the year		527,761	43,649
Earnings per share.- basic and diluted	11	Shs 7.79	Shs 1.12

Consolidated statement of financial position
As at 30 September 2011

	Notes	2011 Shs'000	2010 Shs'000 Restated	2009 Shs'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	13	753,404	624,147	444,748
Biological assets	14	603,608	417,449	401,382
Investment property	16	4,674	9,458	9,567
Investment in unquoted shares	18	9,151	15,251	15,251
Deferred tax assets	24	8,233	54,220	40,612
Post employment benefit assets	25	15,524	-	-
		1,394,594	1,120,525	911,560
Current assets				
Inventories	19	531,612	322,998	280,448
Receivables and prepayments	20	314,994	225,013	172,205
Tax recoverable	10(b)	14,839	22,380	18,803
Bank balances and cash	21	32,701	16,100	31,068
		894,146	586,491	502,524
Total assets		2,288,740	1,707,016	1,414,084
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	22	300,000	300,000	300,000
Share premium		84,496	84,496	84,496
Translation deficit		(53,955)	(114,520)	(90,814)
Retained earnings		1,138,319	719,123	681,768
Shareholders' funds		1,468,860	989,099	975,450
Non-current liabilities				
Borrowings	23	91,846	33,984	21,724
Deferred tax liabilities	24	210,661	141,030	126,780
Post employment benefit obligations	25	92,137	77,781	65,718
Other liabilities	27	-	28,273	-
		394,644	281,068	214,222
Current liabilities				
Payables and accrued expenses	26	168,531	145,600	112,639
Tax payable	10 (b)	37,949	-	1,749
Borrowings	23	183,815	262,976	110,024
Other liabilities	27	34,941	28,273	-
		425,236	436,849	224,412
Total equity and liabilities		2,288,740	1,707,016	1,414,084

The financial statements on pages 17 to 69 were approved for issue by the board of directors on 16 January 2012 and signed on its behalf by:

N R Cuthbert - Director

O M Fowler - Director

Company statement of financial position
As at 30 September 2011

	Notes	2011 Shs'000	2010 Shs'000 Restated	2009 Shs'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	13	142,023	136,555	141,029
Biological assets	14	67,105	41,502	49,446
Investment in subsidiaries	17	579,229	571,458	575,415
Deferred tax assets	24	7,438	53,054	39,495
Post employment benefit asset	25	9,673	-	-
		805,468	802,569	805,385
Current assets				
Inventories	19	156,206	81,486	67,742
Receivables and prepayments	20	211,998	127,603	92,293
Tax recoverable	10 (b)	4,335	2,124	1,359
Bank balances and cash	21	7,886	9,599	6,470
		380,425	220,812	167,864
Total assets		1,185,893	1,023,381	973,249
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	22	300,000	300,000	300,000
Share premium		84,496	84,496	84,496
Retained earnings		238,988	54,933	35,513
Shareholders' funds		623,484	439,429	420,009
Non-current liabilities				
Borrowings	23	21,012	17,720	11,396
Post employment benefit obligations	25	45,267	39,391	35,717
		66,279	57,111	47,113
Current liabilities				
Payables and accrued expenses	26	414,358	448,171	445,601
Borrowings	23	81,772	78,670	60,526
		496,130	526,841	506,127
Total equity and liabilities		1,185,893	1,023,381	973,249

The financial statements on pages 17 to 69 were approved for issue by the board of directors on 16 January 2012 and signed on its behalf by:

N R Cuthbert - Director

O M Fowler - Director

Consolidated statement of changes in equity

				Retained earnings			
	Share capital	Share premium	Translation deficit	Biological assets fair value	Other	Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2009							
At start of year	300,000	84,496	(54,149)	88,775	456,044	544,819	875,166
Profit for the year	-	-	-	62,315	86,634	148,949	148,949
Other comprehensive loss for the year	-	-	(36,665)	-	-	-	(36,665)
Total comprehensive income for the year	-	-	(36,665)	62,315	86,634	148,949	112,284
Dividend paid for 2008	-	-	-	-	(12,000)	(12,000)	(12,000)
At end of year	300,000	84,496	(90,814)	151,090	530,678	681,768	975,450
Year ended 30 September 2010							
At start of year	300,000	84,496	(90,814)	151,090	530,678	681,768	975,450
Profit for the year	-	-	-	1,977	65,378	67,355	67,355
Other comprehensive loss for the year	-	-	(23,706)	-	-	-	(23,706)
Total comprehensive income for the year	-	-	(23,706)	1,977	65,378	67,355	43,649
Dividend paid for 2009	-	-	-	-	(30,000)	(30,000)	(30,000)
At end of year	300,000	84,496	(114,520)	153,067	566,056	719,123	989,099

Consolidated statement of changes in equity

(continued)

				Retained earnings			
	Share capital	Share premium	Translation deficit	Biological assets fair value	Other	Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2011							
At start of year	300,000	84,496	(114,520)	153,067	566,056	719,123	989,099
Profit for the year	-	-	-	107,008	360,188	467,196	467,196
Other comprehensive income for the year	-	-	60,565	-	-	-	60,565
Total comprehensive income for the year	-	-	60,565	107,008	360,188	467,196	527,761
Dividend paid for 2010	-	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(53,955)	260,075	878,244	1,138,319	1,468,860

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.

	Share capital	Share premium	Retained earnings: Biological assets fair value	Retained earnings: Other	Retained earnings: Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2009						
At start of year	300,000	84,496	(14,907)	30,188	15,281	399,777
Dividend paid for 2008	-	-	-	(12,000)	(12,000)	(12,000)
Total comprehensive income for the year	-	-	2,382	29,850	32,232	32,232
At end of year	300,000	84,496	(12,525)	48,038	35,513	420,009
Year ended 30 September 2010						
At start of year	300,000	84,496	(12,525)	48,038	35,513	420,009
Dividend paid for 2009	-	-	-	(30,000)	(30,000)	(30,000)
Total comprehensive income for the year	-	-	(5,562)	54,982	49,420	49,420
At end of year	300,000	84,496	(18,081)	73,020	54,933	439,429
Year ended 30 September 2011						
At start of year	300,000	84,496	(18,087)	73,020	54,933	439,429
Dividend paid for 2010	-	-	-	(48,000)	(48,000)	(48,000)
Total comprehensive income for the year	-	-	17,922	214,133	232,055	232,055
At end of year	300,000	84,496	(165)	239,153	238,988	623,484

Consolidated statement of cash flows

	Notes	2011	2010
		Shs'000	Shs'000
Cash flows from operating activities			
Cash generated from operations	30 (a)	356,759	108,068
Interest received		33	589
Interest paid	9	(24,739)	(19,631)
Tax paid	10(b)	(62,438)	(37,455)
Net cash generated from operating activities		269,615	51,571
Cash flows from investing activities			
Purchase of property, plant and equipment	30 (b)	(173,492)	(185,145)
Proceeds from disposal of property, plant and equipment		4,966	3,669
Purchase of biological assets	14	-	(25,065)
Proceeds from disposal of investment property		19,200	-
Proceeds from disposal of investment in unquoted shares		12,800	-
Net cash used in investing activities		(136,526)	(206,541)
Cash flows from financing activities			
Proceeds from long-term borrowings		114,171	61,027
Proceeds from short-term borrowings		-	66,744
Repayment of long-term borrowings		(72,599)	(34,055)
Repayment of short-term borrowings		(75,565)	-
Dividend paid to shareholders		(48,000)	(30,000)
Net cash (used in)/generated from financing activities		(81,993)	63,716
Increase/(decrease) in cash and cash equivalents		51,096	(91,254)
Cash and cash equivalents at start of year		(144,730)	(54,291)
Effects of exchange rate changes		(413)	815
Cash and cash equivalents at end of year	21	(94,047)	(144,730)

1 General information

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

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

The company is engaged in the cultivation of sisal and the production of sisal fibre and also acts as a holding company. The principal activities of the subsidiary companies (the group) are described in note 17.

2 Accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). For Kenyan Companies Act reporting requirements, in these financial statements the balance sheet is equivalent to the statement of financial position and the profit and loss account is presented in the statement of 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. Except for the change in IAS 17 as mentioned 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 and Interpretations

(i) New and amended standards adopted by the group

None of the new and revised standards and interpretations which became effective during the current period have resulted in a change in the group's accounting policies or in presentation with the exception of an amendment to IAS 17 – Leases.

The amendment clarifies that leases of land and buildings need to be considered separately for all transactions. In establishing whether the land component is an operating or finance lease the entity should take into account that land has an indefinite economic life. The adoption of this amendment has led to a change in accounting policy for leasehold land. The resulting adjustments are included in Notes 13, 15 and 16.

2 Accounting policies *(continued)*

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

(ii) Standards amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

A number of new standards, amendments to existing standards and new interpretations have been published and will be effective for the group's accounting periods beginning on or after 1 October 2011, but the group has not early adopted any of them and, in the opinion of the directors, they will not have any significant impact on the group's financial statements with the possible exception of an amendment to IAS 19 – Employee Benefits described below.

IAS 19 (amendment)-Employee Benefits. Currently actuarial gains and losses of a defined benefit retirement scheme which do not exceed 10% of the greater of the present value of the pension obligations and the fair value of the scheme assets are not accounted for. Where such gains and losses do exceed 10% of the greater of the present value of the pension obligations and the fair value of the scheme assets, the excess is amortised over the anticipated average remaining service lives of the participating employees. An amendment to the standard will require all actuarial gains or losses to be immediately recognised in the Statement of Other Comprehensive Income. Other amendments to this standard will require the immediate recognition of past service costs, and the replacement of interest cost and expected return on plan assets with a net interest amount that will be calculated by applying the discount rate to the net defined benefit asset (liability). The group has yet to assess the probable impact of these amendments.

Consolidation

Subsidiaries, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group and consolidation ceases from the date of disposal.

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

Costs related to acquisitions are expensed as incurred.

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

A list of subsidiary companies is shown in Note 17.

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.

Operating segments

The group's internal reporting of segmental information is as shared with the group's chief operating decision maker. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Segment results include revenue and expenses directly attributable to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

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.

2 Accounting policies *(continued)*

Revenue recognition *(continued)*

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.

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

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

Property, plant and equipment

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

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

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

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

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.

2. Accounting policies *(continued)*

Investment property *(continued)*

Depreciation is calculated on a straight line basis to write off the cost of the property over the shorter of the lease period or estimated useful life. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Investment in unquoted shares

Unquoted investments are stated at cost less provision for impairment.

Biological assets

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

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

Impairment

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

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

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

Accounting for leases

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

2 Accounting policies *(continued)*

Accounting for leases *(continued)*

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.

Offsetting

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

Retirement benefit obligations

The group operates a 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 group and employees.

The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries, who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the pension obligations and the fair value of the scheme assets are amortised over the anticipated average remaining service lives of the participating employees.

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

2 Accounting policies *(continued)*

Retirement benefit obligations *(continued)*

is limited to specific contributions as legislated from time to time.

The group's contributions in respect of all defined contribution 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 forseeable future, are regarded as part of the net investment in the subsidiaries. In accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates, the exchange differences arising on such loans are dealt with in the statement of changes in equity.

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

Financial instruments

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

2 Accounting policies *(continued)*

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.

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.

In particular, comparative figures have been adjusted for the effect of a retrospective amendment of the accounting policy for leasehold land whose carrying value at the beginning of the earliest comparative period (1 October 2008) was Shs 139,707,000.

As required by IAS 1 10(f), a statement of financial position is presented at the beginning of the earliest comparative period. The additional statement is required because the entity has made a retrospective restatement of leasehold land in its financial statements that affected the statement of the financial position at the beginning of the earliest comparative period.

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:

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

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

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

Property, plant and equipment

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

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

Biological assets

In determining the fair value of biological assets, the group uses the present value of expected cash flows from the asset discounted at a current market determined pre tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. The group considers this in determining an appropriate discount rate to be used and in estimating net cash flows. Management uses estimates based on historical data relating to yields and market prices. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed to reduce any differences between estimates and actual experience. The significant assumptions are set out in note 14.

Retirement benefit obligations

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations in respect of the defined benefit retirement scheme. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note 25.

Deferred tax asset

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

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	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets				
Receivables including cash and cash equivalents	347,695	241,113	219,884	137,202
Financial liabilities				
Loans and payables	479,133	499,106	517,142	544,561

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 terms agreed by forward price contract. 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.

4. Financial risk management *(continued)*

Foreign exchange risk *(continued)*

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

	Assets		Liabilities	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
US Dollars	160,581	110,949	93,632	160,346
Sterling Pound	-	-	7,019	5,598
Euro	1,354	-	-	-
	161,935	110,949	100,651	165,944
Company				
US Dollars	31,072	32,763	44,874	33,888

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.

	Euro Impact		US Dollar Impact		Pound Sterling Impact	
	2011	2010	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Group						
Profit or loss	68(iv)	-	3,348 (ii)	(2,470) (i)	(351) (iii)	(280) (iii)
Company						
Profit or loss	-	-	(690) (i)	(56) (i)	-	-

4. Financial risk management *(continued)*

Foreign currency sensitivity analysis *(continued)*

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

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

(iii) 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.

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

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

Price risk

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

Interest rate risk

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

Interest rate sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables remained constant, the profit before tax for the year would have decreased/increased by:

Group		Company	
2011	2010	2011	2010
Shs'000	Shs'000	Shs'000	Shs'000
2,757	2,970	1,028	964

4. Financial risk management *(continued)*

Credit risk

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

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

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

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

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

Group

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2011			
Bank balances	15,296	-	-
Trade receivables	10,662	604	-
Related party receivables	144,745	-	-
Others	158,983	-	-
Total	329,686	604	-
2010			
Bank balances	853	-	-
Trade receivables	8,086	3,222	-
Related party receivables	108,952	-	-
Others	104,753	-	-
Total	222,644	3,222	-

4. Financial risk management *(continued)*

Credit risk (continued)

Company

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2011			
Trade receivables	465	158	-
Related party and group receivables	184,638	-	-
Others	26,737	-	-
Total	211,840	158	-
2010			
Trade receivables	465	47	-
Related party and group receivables	106,421	-	-
Others	20,670	-	-
Total	127,556	47	-

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.

4. Financial risk management *(continued)*

Liquidity risk (continued)

Group	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 30 September 2011				
Borrowings	183,815	49,894	41,952	-
Payables, accrued expenses and other liabilities	203,472	-	-	-
Deferred charge on borrowings	13,079	7,048	2,972	-
Total financial liabilities	400,366	56,942	44,924	-
At 30 September 2010				
Borrowings	262,976	22,992	10,992	-
Payables, accrued expenses and other liabilities	173,873	28,273	-	-
Deferred charge on borrowings	5,628	2,424	387	-
Total financial liabilities	442,477	53,689	11,379	-
Company				
At 30 September 2011				
Borrowings	81,772	14,095	6,917	-
Payables, accrued expenses and other liabilities	414,358	-	-	-
Deferred charge on borrowings	3,864	1,677	671	-
Total financial liabilities	499,994	15,772	7,588	-
At 30 September 2010				
Borrowings	78,670	12,466	5,254	-
Payables, accrued expenses and other liabilities	448,171	-	-	-
Deferred charge on borrowings	2,690	1,155	201	-
Total financial liabilities	529,531	13,621	5,455	-

4. Financial risk management *(continued)*

Banking facilities

Bank loans and overdrafts payable at call and reviewed annually

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Amounts utilised	275,661	232,336	102,784	96,390
Amounts unutilised	187,784	85,552	77,131	24,000
Total available facilities	463,445	317,888	179,915	120,390

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	
2011	2010	2011	2010
Shs'000	Shs'000	Shs'000	Shs'000
1,802,314	1,244,888	1,185,893	1,023,383

Defined benefit retirement scheme obligations

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 deficit.

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 may affect future net assets and results of operations.

Capital risk management

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

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

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

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

4. Financial risk management *(continued)*

Capital risk management (continued)

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

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Total borrowings	275,661	296,960	102,784	96,390
Bank balances and cash	(32,701)	(16,100)	(7,886)	(9,599)
Net borrowings	242,960	280,860	94,898	86,791
Total equity	1,468,860	989,099	623,484	439,429
Net borrowings to equity ratio	16%	28%	15%	20%

5 Operating segments

(a) Business segments

The group is organised into two principal business segments:

- Agriculture – cultivation of sisal, production of sisal fibre and cultivation of horticultural crops and other related services.
- Spinning – conversion of sisal fibre into yarns and twines.

	Agriculture	Spinning	Total
	Shs'000	Shs'000	Shs'000
Year ended 30 September 2011			
Total sales	1,907,632	368,358	2,275,990
Inter-segment sales	(154,801)	(5,573)	(160,374)
Sales revenue	1,752,831	362,785	2,115,616
Profit from operations	673,131	30,421	703,552
Interest income	33	-	33
Interest expense	(24,166)	(573)	(24,739)
Profit before tax	648,998	29,848	678,846
Tax	(202,325)	(9,325)	(211,650)
Profit for the year	446,673	20,523	467,196
Segment assets	2,130,808	157,932	2,288,740
Segment liabilities	782,721	37,159	819,880
Capital additions	167,970	5,522	173,492
Depreciation on property, plant and equipment	69,269	2,972	72,241
Depreciation on investment property	100	-	100

5 Operating segments *(continued)*

	Agriculture Shs'000	Spinning Shs'000	Total Shs'000
Year ended 30 September 2010			
Total sales	1,247,763	289,049	1,536,812
Inter-segment sales	(92,967)	(2,177)	(95,144)
Sales revenue	1,154,796	286,872	1,441,668
Profit from operations	66,996	17,003	83,999
Interest income	589	-	589
Interest expense	(19,631)	-	(19,631)
Fair value gain on business combination	38,953	-	38,953
Profit before tax	86,907	17,003	103,910
Tax	(31,395)	(5,160)	(36,555)
Profit for the year	55,512	11,843	67,355
Segment assets	1,590,757	116,259	1,707,016
Segment liabilities	699,899	18,018	717,917
Capital additions	236,561	5,130	241,691
Purchase of biological asset	25,065	-	25,065
Depreciation on property, plant and equipment	47,267	4,337	51,604
Depreciation on investment property	109	-	109

5 Operating segments *(continued)*

(b) Geographical segments

The group operations consist of two main geographical segments:

- Kenya
- Tanzania

	Kenya	Tanzania	Total
	Shs'000	Shs'000	Shs'000
Year ended 30 September 2011			
Total sales	1,276,136	999,854	2,273,390
Inter-segment sales	(27,608)	(132,766)	(160,374)
Sales revenue	1,248,528	867,088	2,115,616
Profit from operations	413,870	289,682	703,552
Interest income	29	4	33
Interest expense	(17,187)	(7,552)	(24,739)
Profit before tax	396,712	282,134	678,846
Tax	(123,285)	(88,365)	(211,650)
Profit for the year	273,427	193,769	467,196
Segment assets	1,250,795	1,037,945	2,288,740
Segment liabilities	435,996	383,884	819,880
Capital additions	128,853	44,639	173,492
Depreciation on property, plant and equipment	38,032	34,209	72,241
Depreciation on investment property	100	-	100

5 Operating segments *(continued)*

	Kenya Shs'000	Tanzania Shs'000	Total Shs'000
Year ended 30 September 2010			
Total sales	889,679	647,134	1,536,812
Inter-segment sales	(22,813)	(72,331)	(95,144)
Sales revenue	866,866	574,803	1,441,668
Profit from operations	34,104	49,895	83,999
Interest income	43	546	589
Interest expense	(18,691)	(940)	(19,631)
Fair value gain on business combination	-	38,953	38,953
Profit before tax	15,456	88,454	103,910
Tax	(9,832)	(26,723)	(36,555)
Profit for the year	5,624	61,731	67,355
Segment assets	985,232	721,784	1,707,016
Segment liabilities	436,479	281,438	717,917
Capital additions	47,936	193,755	241,691
Purchase of biological assets	-	25,065	25,065
Depreciation on property, plant and equipment	32,242	19,362	51,604
Depreciation on investment property	109	-	109

6 Business Combination

On 1 September 2010, the group acquired the land, biological assets and plant and machinery of Kigombe Estate relating to the cultivation of sisal from an unrelated company, Amboni Sisal Properties Limited.

The assets acquired at fair value were as follows:

	2010
	Shs'000
Biological assets	25,065
Property, plant and equipment	129,822
Prepaid operating lease rentals	27,916
Total fair value of assets acquired	182,803
Purchase consideration	143,850
Fair value gain on acquisition	38,953
Deferred tax on fair value gain	(3,612)
Net fair value gain	35,341

The assets of Kigombe Estate which were acquired by the group were valued by an independent professional valuer, Ryden International. The valuation was made on the basis of open market value for current use.

7 Profit before tax

	Group	
	2011	2010
	Shs'000	Shs'000
The profit before tax is arrived at after charging /(crediting):		
Depreciation on property, plant and equipment (Note 13)	72,241	51,603
Depreciation on investment property	100	109
Operating lease payments	11,228	5,634
Staff costs (Note 8)	596,549	478,503
Auditors' remuneration- group	6,313	6,443
- company	1,900	1,900
Directors' emoluments- fees	1,500	1,224
- for management services	38,329	43,503
Total of directors' emoluments	39,829	44,727
Directors' emoluments		
Company: - fees	1,500	1,224
- for management services	21,185	20,598
Total	22,685	21,822
Profit on disposal of property, plant and equipment	(4,209)	(2,975)
Profit on sale of investment property	(14,515)	-
Profit on sale of investment in unquoted shares	(6,700)	-

Profit for the year – company

The company profit for the year of Shs 232,055,000 (2010: Shs 49,420,000) has been dealt with in the financial statements of REA Vipingo Plantations Limited.

8 Staff costs

	2011	2010
Salaries and wages	531,357	408,718
Social security costs	22,572	18,694
Pension contributions –defined benefit scheme (credit)/charge	(10,145)	5,102
Pension contributions – defined contribution scheme	726	659
Gratuity and other terminal benefits	22,676	21,687
Medical	29,363	23,643
	596,549	478,503
Average number of permanent employees	2,957	2,836

9 Finance costs

	Group	
	2011	2010
	Shs'000	Shs'000
Interest expense	24,739	19,631

10 Tax

(a) Tax charge

Current tax	108,913	31,583
Deferred tax charge (Note 24)	102,737	4,972
	211,650	36,555

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

	Group	
	2011	2010
	Shs'000	Shs'000
Profit before tax	678,846	103,910
Tax calculated at a tax rate of 30%	203,653	31,174
Tax effect of:		
Income not subject to tax	(3,102)	(891)
Expenses not deductible for tax purposes	10,209	5,725
Underprovision/(overprovision) of deferred tax in prior year	83	(236)
Underprovision of current tax in prior year	221	321
Deferred tax asset not recognised	586	462
Tax charge	211,650	36,555

(b) Tax movement

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	(22,380)	(17,054)	(2,124)	(1,359)
Current year charge	108,913	31,583	-	-
Tax paid	(62,438)	(37,455)	(2,211)	(765)
Translation adjustment	(985)	546	-	-
At end of year	23,110	(22,380)	(4,335)	(2,124)
Balances at year end				
Tax recoverable	(14,839)	(22,380)	(4,335)	(2,124)
Tax payable	37,949	-	-	-
	23,110	(22,380)	(4,335)	(2,124)

11 Earnings per share

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

	Group	
	2011	2010
Profit for the year (Shs '000)	467,196	67,355
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	7.79	1.12

There were no potentially dilutive ordinary shares outstanding at 30 September 2011 and at 30 September 2010. Diluted earnings per share are therefore the same as basic earnings per share.

12 Dividends

At the annual general meeting to be held on 30 March 2012, a first and final dividend in respect of the year ended 30 September 2011 of Shs 1.10 (2010: Shs 0.80) per share amounting to a total of Shs 66,000,000 (2010: Shs 48,000,000) is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for East African residents and 10% for other overseas shareholders.

13 Property, plant and equipment

Group

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
Cost					
At 1 October 2008 – as previously stated	49,500	111,895	526,479	4,546	692,420
Reclassification from prepaid operating lease rentals (Note 15)	131,594	-	-	-	131,594
Additions	-	-	33,260	17,447	50,707
Transfers	-	1,946	18,782	(20,728)	-
Disposals	-	-	(12,715)	-	(12,715)
Translation adjustment	(46)	(1,483)	(18,267)	(693)	(20,489)
At 30 September 2009 - restated	181,048	112,358	547,539	572	841,517
At 1 October 2009 - restated	181,048	112,358	547,539	572	841,517
Additions	27,916	54,286	149,596	9,893	241,691
Transfers	-	140	2,072	(2,212)	-
Disposals	-	-	(12,076)	-	(12,076)
Translation adjustment	(912)	(2,456)	(13,744)	(97)	(17,209)
At 30 September 2010 – restated	208,052	164,328	673,387	8,156	1,053,923
At 1 October 2010 - restated	208,052	164,328	673,387	8,156	1,053,923
Additions	-	6,164	92,118	75,210	173,492
Transfers	-	383	22,647	(23,030)	-
Disposals	-	-	(14,067)	-	(14,067)
Translation adjustment	3,167	7,368	34,954	502	45,991
At 30 September 2011	211,219	178,243	809,039	60,838	1,259,339

13 Property, plant and equipment *(continued)*

Group

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
Depreciation					
At 1 October 2008					
– as previously stated	-	14,655	353,805	-	368,460
Reclassification from prepaid operating lease rentals (Note 15)	1,563	-	-	-	1,563
Charge for the year	173	2,223	47,754	-	50,150
Eliminated on disposals	-	-	(12,332)	-	(12,332)
Translation adjustment	(3)	(150)	(10,919)	-	(11,072)
At 30 September 2009 - restated	1,733	16,728	378,308	-	396,769
At 1 October 2009 - restated	1,733	16,728	378,308	-	396,769
Charge for the year	310	2,338	48,955	-	51,603
Eliminated on disposals	-	-	(11,382)	-	(11,382)
Translation adjustment	(2)	(103)	(7,109)	-	(7,214)
At 30 September 2010 - restated	2,041	18,963	408,772	-	429,776
At 1 October 2010 - restated	2,041	18,963	408,772	-	429,776
Charge for the year	2,493	3,335	66,413	-	72,241
Eliminated on disposals	-	-	(13,310)	-	(13,310)
Translation adjustment	61	327	16,840	-	17,228
At 30 September 2011	4,595	22,625	478,715	-	505,935
Net book amount					
At 30 September 2011	206,624	155,618	330,324	60,838	753,404
At 30 September 2010 – restated	206,011	145,365	264,615	8,156	624,147
At 30 September 2009 - restated	179,315	95,630	169,231	572	444,748

Included in property, plant and equipment are assets with an original cost of Shs.271,976,338 (2010: Shs 253,255,990) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 48,862,296 (2010: Shs 41,345,041).

Based on an impairment review performed by the directors at 30 September 2011, no indications of impairment of property, plant and equipment were identified. (2010: 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 39 years to 51 years.

13 Property, plant and equipment *(continued)*

Company

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
Cost					
At 1 October 2008 – as previously stated	45,000	38,759	157,064	767	241,590
Reclassification from prepaid operating lease rentals (Note 15)	17,557	-	-	-	17,557
Transfers	-	-	910	(910)	-
Additions	-	-	11,641	228	11,869
Disposals	-	-	(9,399)	-	(9,399)
At 30 September 2009 – restated	62,557	38,759	160,216	85	261,617
At 1 October 2009 - restated	62,557	38,759	160,216	85	261,617
Transfers	-	140	-	(140)	-
Additions	-	387	12,486	267	13,140
Disposals	-	-	(12,896)	-	(12,896)
At 30 September 2010 – restated	62,557	39,286	159,806	212	261,861
At October 2010 - restated	62,557	39,286	159,806	212	261,861
Transfers	-	383	1,009	(1,392)	-
Additions	-	1,421	18,781	1,474	21,676
Disposals	-	-	(4,358)	-	(4,358)
At 30 September 2011	62,557	41,090	175,238	294	279,179

13 Property, plant and equipment *(continued)*

Company

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
Depreciation					
At 1 October 2008					
– as previously stated	-	6,431	105,079	-	111,510
Reclassification from prepaid					
operating lease rentals (Note 15)	269	-	-	-	269
Charge for the year	-	775	14,993	-	15,768
Eliminated on disposals	-	-	(6,959)	-	(6,959)
At 30 September 2009 – restated	269	7,206	113,113	-	120,588
At 1 October 2009 - restated	269	7,206	113,113	-	120,588
Charge for the year	70	775	14,039	-	14,884
Eliminated on disposals	-	-	(10,166)	-	(10,166)
At 30 September 2010 – restated	339	7,981	116,986	-	125,306
At 1 October 2010 - restated	339	7,981	116,986	-	125,306
Charge for the year	632	785	14,346	-	15,763
Eliminated on disposals	-	-	(3,913)	-	(3,913)
At 30 September 2011	971	8,766	127,419	-	137,156
Net book amount					
At 30 September 2011	61,586	32,324	47,819	294	142,023
At 30 September 2010 – restated	62,218	31,305	42,820	212	136,555
At 30 September 2009 – restated	62,288	31,553	47,103	85	141,029

Included in property, plant and equipment are assets with an original cost of Shs 84,053,011 (2010: Shs 70,233,132) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 16,694,637 (2010: Shs 13,062,057).

The company's land titles, which were either freehold or leases in excess of 900 years, were converted to 99 year leases with effect from 21st August 2010. The company has yet to receive the new title deeds.

Based on an impairment review performed by the directors as at 30 September 2011, no indications of impairment of property, plant and equipment were identified. (2010: none).

14 Biological assets

Group	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
At 1 October 2009			
Mature crops	294,441	-	294,441
Immature crops	106,941	-	106,941
	401,382	-	401,382
Purchases	25,065	-	25,065
(Loss)/gain arising from changes in fair value attributable to physical changes	(75,334)	2,522	(72,812)
Loss arising from changes in fair value attributable to price changes	(9,622)	-	(9,622)
Gain arising from changes in fair value attributable to changes in exchange and discount rates	85,259	-	85,259
Net fair value gain	303	2,522	2,825
Translation adjustment	(11,823)	-	(11,823)
	414,927	2,522	417,449
At 30 September 2010			
Mature crops	317,642	1,651	319,293
Immature crops	97,285	871	98,156
	414,927	2,522	417,449

14 Biological assets *(continued)*

Group	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
At 1 October 2010	317,642	1,651	319,293
Immature crops	97,285	871	98,156
	414,927	2,522	417,449
(Loss)/gain arising from changes in fair value attributable to physical changes	(130,324)	1,595	(128,729)
Gain arising from changes in fair value attributable to price changes	91,574	-	91,574
Gain arising from changes in fair value attributable to changes in exchange and discount rates	190,024	-	190,024
Net fair value gain	151,274	1,595	152,869
Translation adjustment	33,290	-	33,290
	599,491	4,117	603,608
At 30 September 2011			
Mature crops	426,487	2,305	428,792
Immature crops	173,004	1,812	174,816
	599,491	4,117	603,608

14 Biological assets *(continued)*

Company
Sisal plants and nurseries

		2011	2010
		Shs'000	Shs'000
Carrying amount at start of year:	Immature sisal	31,136	36,299
	Mature crops	10,366	13,147
		41,502	49,446
Loss arising from changes in fair value attributable to physical changes		(3,032)	(16,474)
Gain arising from changes in fair value attributable to price changes		-	932
Gain arising from changes in fair value attributable to changes in exchange and discount rates		28,635	7,598
Net fair value gain/(loss)		25,603	(7,944)
Carrying amount at end of year:	Immature sisal	38,470	31,136
	Mature sisal	28,635	10,366
		67,105	41,502

Short-term horticultural crops at the year end comprised of baby corn, okra, green grams and chillies. Baby corn is harvested after a period of approximately 12 to 14 weeks. Chillies have varied harvesting cycles depending on variety. The maximum lifespan of the plant is approximately 48 weeks. Okra is harvested after approximately 8 weeks over a harvesting period of approximately 6 weeks. Green gram is harvested after approximately 8 weeks over a harvesting period of approximately 4 weeks.

Significant assumptions made in determining the fair value of biological assets are:
- Sisal plants will have an average productive life of 8 years.
- Future production and sales estimates are based on budgets approved by the directors and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- The expected market price of sisal fibre will remain constant based on the average price and exchange rates realised over a number of years.
- Current market prices are used to determine the fair value of short-term crop.
- A discount rate of between 17.5% per annum in Kenya (2010: 14%) and 15% per annum in Tanzania (2010: 15%) is applied to the anticipated net cash flows arising from the asset. The costs of production and selling costs used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors. Assumed annual rates of inflation of 7.5% and 10.0% for Kenya and Tanzania respectively (2010: 5% and 7.5% respectively) have been incorporated for periods beyond the initial budget period of one year.
- Based on the biological transformation which sisal plants undergo, 42% of fair value is assigned to the regeneration of sisal leaf.
- Costs incurred on new plantations in the year approximate to their fair value.

15 Prepaid operating lease rentals

As a result of an amendment to IAS 17- Leases, the group has changed its accounting policy for leasehold land. Previously, leasehold land was treated as prepaid operating leases. Following an amendment to the standard, leases are to be classified as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the lessee. The directors consider that the titles to leasehold land held by the group constitute finance leases and that the properties should be classified as either property, plant and equipment in the case of owner occupied property, or investment property in the case of non owner-occupied property.

The group has applied the amended policy retrospectively but this has had no effect on the reported results for prior years.

	Group	Company
Cost	Shs'000	Shs'000
At.1 October 2008 – as previously stated	141,270	17,557
Reclassification to property, plant and equipment - (Note 13)	(131,594)	(17,557)
Reclassification to investment property (Note 16)	(9,676)	-
At 30 September 2009 as restated	-	-
Amortisation		
At 1 October 2008 – as previously stated	1,563	269
Reclassification to property, plant and equipment (Note 13)	(1,563)	(269)
At 30 September 2009 as restated	-	-
Carrying value at 30 September 2009 as restated	-	-

16 Investment property

A group company held 10 plots in a residential development managed by an unrelated company, Vipingo Beach Limited at the beginning of the year. Two plots are utilised within the group and, following the change of accounting policy described in note 15, are included in property, plant and equipment. Four plots were sold in the year ended 30th September 2011.

	2011	2010	2009
	Shs'000	Shs'000	Shs'000
Cost			
At the beginning of the year – as restated	9,676	9,676	-
Reclassification from prepaid operating lease rentals (Note 15)	-	-	9,676
Disposals	(4,838)	-	-
At end of year	4,838	9,676	9,676
Depreciation			
At the beginning of the year – as restated	218	109	-
Reclassification from prepaid operating lease rentals (Note 15)	-	-	-
Charge for the year	100	109	109
Disposals	(154)	-	-
At end of year	164	218	109
Carrying value at the end of year	4,674	9,458	9,567
Fair value	19,200	38,400	38,400

Fair values are based on the known contract price of sales of similar plots immediately prior to year end.

17 Investment in subsidiaries

	Company	
	2011	2010
	Shs'000	Shs'000
Shares in subsidiaries at cost	504,074	504,074
Long term receivable from subsidiary	75,155	67,384
	579,229	571,458

17 Investment in subsidiaries *(continued)*

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 & yarn
Dwa Estate Limited	Kshs 2,000	Kenya	Cultivation of sisal and sale of sisal fibre; cultivation and sale of agricultural produce
Wigglesworth Exporters Limited	Kshs 1,000	Kenya	Export of sisal fibre
Vipingo Estate Limited	Kshs 10,000	Kenya	Property holding

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 foreseeable future, it has been accounted for as part of the net investment in the subsidiary. Exchange differences on the unpaid portion of the loan are dealt with through the statement of changes in equity.

18 Investment in unquoted shares

Group	2011 Shs'000	2010 Shs'000
At start of year	15,251	15,251
Disposals	(6,100)	-
At end of year	9,151	15,251

A group company owned 10 plots in a residential development managed by an unrelated company, Vipingo Beach Limited at the beginning of 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. In 2011, 4 plots were sold and consequently 400 shares in Vipingo Beach Limited were sold.

19 Inventories

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Sisal fibre at fair value	302,864	162,165	130,517	57,545
Finished goods	34,388	25,744	-	-
Stores and raw materials at cost less provision	194,360	135,089	25,689	23,941
	531,612	322,998	156,206	81,486

20 Receivables and prepayments

Trade receivables	11,266	11,308	623	512
Prepayments	16,531	13,761	2,922	3,175
Amounts due from related parties (Note 32)	144,745	108,952	31,072	32,763
Amounts due from group companies (Note 32)	-	-	153,566	73,658
VAT recoverable	85,125	71,478	21,715	15,789
Other receivables	57,327	19,514	2,100	1,706
	314,994	225,013	211,998	127,603

21 Bank balances and cash

Cash at bank and in hand	32,701	16,100	7,886	9,599

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	Group	
	2011	2010
	Shs'000	Shs'000
Cash at bank and in hand as above	32,701	16,100
Bank overdrafts (Note 23)	(126,748)	(160,830)
Cash and cash equivalents	(94,047)	(144,730)

22 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Authorised, issued and fully paid		
Balance at 1 October 2009, 1 October 2010 and 30 September 2011	60,000	300,000

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

23 Borrowings

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Total borrowings	275,661	296,960	102,784	96,390
Less: current portion	(183,815)	(262,976)	(81,772)	(78,670)
Non-current portion	91,846	33,984	21,012	17,720
The borrowings are made up as follows:				
Non-current				
Bank loans	91,846	33,984	21,012	17,720
Current				
Bank overdrafts	126,748	160,830	60,247	60,906
Bank loans	57,067	37,522	21,525	17,764
Related party (Note 32)	-	64,624	-	-
	183,815	262,976	81,772	78,670
Total borrowings	275,661	296,960	102,784	96,390

23 Borrowings *(continued)*

Analysis of borrowings by currency

Group

	Borrowings in Kshs Shs'000	Borrowings in Tshs Shs'000	Borrowings in USD Shs'000	Total Shs'000
2011				
Bank overdrafts	71,521	90,090	55,228	216,839
Bank loans	58,822	-	-	58,822
	130,343	90,090	55,228	275,661
2010				
Bank overdrafts	106,966	18,363	35,501	160,830
Bank loans	71,506	-	-	71,506
Related party loan	-	-	64,624	64,624
	178,472	18,363	100,125	296,960

Company

	Borrowings in Kshs Shs'000	Borrowings in USD Shs'000	Total Shs'000
2011			
Bank overdrafts	16,152	44,095	60,247
Bank loans	42,537	-	42,537
	58,689	44,095	102,784
2010			
Bank overdrafts	27,839	33,067	60,906
Bank loans	35,484	-	35,484
	63,323	33,067	96,390

The bank overdrafts and bank loans are secured by first legal charges and debentures over certain of the group's immovable properties and other assets.

The related party loan was in respect of an unsecured loan of US$800,000 received from Wigglesworth & Company Limited. Interest on the loan was charged at 5.0%. The loan was repaid in the year ended 30th September 2011.

23 Borrowings *(continued)*

	Group		Company	
	2011	2010	2011	2010
Weighted average effective rates at the year end were:				
- bank overdrafts – Kshs	12.7%	10.9%	11.5%	10.5%
-bank loans – Kshs	11.7%	10.5%	12.0%	10.0%
-bank overdrafts – Tshs	9.5%	9.5%	-	-
-bank overdrafts – US$	5.3%	5.1%	5.25%	5.0%
-bank loan - Tshs	9.5%	-	-	-
-related party – US$	-	5.0%	-	-

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Maturity of non-current loans				
Between 1 and 2 years	84,929	22,992	14,095	12,466
Between 2 and 5 years	6,917	10,992	6,917	5,254
	91,846	33,984	21,012	17,720

24 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2010: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	86,810	86,168	(53,054)	(39,495)
Tax charge/(credit) recognised in profit or loss (Note 10)	102,737	4,972	45,616	(13,559)
Translation adjustment	12,881	(4,330)	-	-
At end of year	202,428	86,810	(7,438)	(53,054)

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

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax assets	(8,233)	(54,220)	(7,438)	(53,054)
Deferred tax liabilities	210,661	141,030	-	-
	202,428	86,810	(7,438)	(53,054)

24 Deferred tax *(continued)*

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

Group

	1.10.2010 Shs'000	Charged/ (credited) to profit or loss Shs'000	Translation adjustment Shs'000	30.9.2011 Shs'000
Deferred tax liabilities				
Property, plant and equipment	51,773	14,716	4,037	70,526
Biological assets	125,237	45,861	9,985	181,083
Acquisition of subsidiary	7,676	-	-	7,676
Post employment benefit assets	-	4,657	-	4,657
	184,686	65,234	14,022	263,942
Deferred tax assets				
Provisions	(48,258)	3,102	(1,063)	(46,219)
Tax losses carried forward	(49,618)	34,401	(78)	(15,295)
	(97,876)	37,503	(1,141)	(61,514)
Net deferred tax liability	86,810	102,737	12,881	202,428

In addition to the above, there is a further deferred income tax asset attributable to tax losses carried forward amounting to Shs 23,647,000 (2010: Shs 23,061,000) relating to a subsidiary company which has not been recognised in the financial statements because, in the view of the directors, it is not certain that sufficient taxable profits will be generated in the foreseeable future against which the tax losses can be utilised.

Company

	1.10.2010 Shs'000	Charged to profit or loss Shs'000	30.9.2011 Shs'000
Deferred tax liabilities			
Property, plant and equipment	7,547	475	8,022
Biological assets	12,451	7,681	20,132
Post employment benefit asset	-	2,902	2,902
	19,998	11,058	31,056
Deferred tax assets			
Provisions	(25,765)	2,565	(23,200)
Tax losses	(47,287)	31,993	(15,294)
	(73,052)	34,558	(38,494)
Net deferred tax asset	(53,054)	45,616	(7,438)

25 Post employment benefit (assets)/obligations

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Post employment benefit obligations/(assets) comprise:				
(a) Staff retirement gratuity	92,137	77,716	45,267	39,348
(b) Defined benefit scheme liability	-	65	-	43
	92,137	77,781	45,267	39,391
(b) Defined benefit scheme asset	(15,524)	-	(9,673)	-

(a) Staff retirement gratuity

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

	Group		Company	
	2011	2010	2011	2010
At start of year	77,716	65,653	39,348	35,674
Charged to profit or loss	18,707	18,593	8,201	7,379
Utilised during year	(5,591)	(6,106)	(2,282)	(3,705)
Translation adjustment	1,305	(424)	-	-
At end of year	92,137	77,716	45,267	39,348

(b) Defined benefit 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 2012.

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

	2011	2010
	Shs'000	Shs'000
Present value of funded obligations	115,332	96,775
Fair value of scheme assets	(125,592)	(138,145)
Net over funding in funded plan	(10,260)	(41,370)
Unrecognised actuarial (gain)/loss	(5,264)	41,435
Net (asset)/liability at the end of the reporting period	(15,524)	65

25 Post employment benefit (assets)/obligations *(continued)*

The amounts recognised in profit or loss are determined as follows:

	2011 Shs'000	2010 Shs'000
Current service cost net of employees' contributions	3,320	3,362
Interest on obligation	9,898	9,374
Expected return on plan assets	(14,141)	(9,164)
Net actuarial (gain)/loss recognised in the year	(9,222)	1,530
Net (credit)/charge for the year included in staff.costs	(10,145)	5,102
Contributions paid	(5,444)	(5,102)
Movement in the (asset)/liability recognised at the end of the accounting period	(15,589)	-

The principal actuarial assumptions used were as follows:

	2011	2010
- discount rate	10%	10%
- expected rate of return on scheme assets	10%	10%
- future salary increases	8%	8%
- future pension increases	0%	0%

The group also contributes to a defined contribution retirement benefit scheme for certain non-unionisable employees. The group contributed Shs 726,000 to this scheme during the year (2010: Shs 659,000) which has been charged to profit or loss.

The group also makes contributions to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 September 2011, the group contributed Shs 22,572,000 (2010:Shs 18,694,000) which has been charged to profit or loss.

26 Payables and accrued expenses

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	94,282	65,731	18,163	19,808
Amounts due to related parties (Note 32)	9,279	7,819	779	821
Amounts due to group companies (Note 32)	-	-	373,579	399,514
Provision for leave pay	23,871	17,476	10,543	8,259
Accrued expenses	20,610	30,329	6,206	15,793
Other payables	20,489	24,245	5,088	3,976
	168,531	145,600	414,358	448,171

27 Other liabilities

This refers to the deferred consideration payable by Amboni Plantations Limited to Amboni Sisal Properties Limited for the purchase of Kigombe Estate.

	Group	
	2011	2010
	Shs'000	Shs'000
Total purchase consideration (Note 6)	143,850	143,850
Less: Deposit paid - 2010	(87,304)	(87,304)
Amount paid - 2011	(28,273)	-
Translation adjustment	6,668	-
	34,941	56,546
Current	34,941	28,273
Non-current	-	28,273
	34,941	56,546

The amount due to Amboni Sisal Properties Limited, payable in US Dollars, has not been discounted as the amount involved is not considered to be significant.

28 Contingent liabilities

There are ongoing legal claims for specific damages which have been brought against a subsidiary company by former employees. Based upon legal opinions received, the directors do not anticipate that these claims will result in significant losses to the company.

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.

29 Commitments

Capital Commitements

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

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Authorised and contracted for	57,188	20,732	3,822	7,740

Operating lease commitments

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

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	10,788	6,799	6,347	3,917
Between 2 and 5 years	14,406	14,965	13,156	13,524
Over 5 years	-	-	-	-
	25,194	21,764	19,503	17,441

The lease expenditure charged to the income statement during the year is disclosed in Note 7.

30 Notes to the consolidated statement of cash flows

	Group	
	2011	2010
	Shs'000	Shs'000
(a) Reconciliation of profit before tax to net cash generated from operations:		
Profit before tax	678,846	103,910
Adjustments for:		
Finance costs recognised in the profit for the year	24,739	19,631
Interest income recognised in the profit for the year	(33)	(589)
Depreciation of property, plant and equipment (Note 13)	72,241	51,603
Depreciation of investment properties (Note 16)	100	109
Fair value adjustment of biological assets (Note 14)	(152,869)	(2,825)
Profit on sale of property, plant and equipment	(4,209)	(2,975)
Profit on sale of investment property	(14,515)	-
Profit on sale of investment in unquoted shares	(6,700)	-
Operating profit before working capital changes	597,600	168,864
Working capital changes:		
- receivables and prepayments	(78,585)	(57,881)
- inventories	(184,451)	(50,745)
- payables and accrued expenses	24,668	35,342
- post employment benefit obligations	(2,473)	12,488
Net cash generated from operations	356,759	108,068

(b) Net cash outflow on purchase of property, plant and equipment

	2010
	Shs'000
Addition during the year	111,869
Addition on acquisition of Kigombe estate	129,822
Total additions (note 13)	241,691
Less: Deferred consideration (note 27)	(56,546)
Net cash outflow	185,145

31 Events after the reporting period

On 6 October 2011, 362 tonnes of sisal fibre were destroyed by a fire at Vipingo Estate. The fibre was fully covered by insurance and no loss was incurred.

32 Related party transactions

At the year end, companies controlled by the Robinow family and their subsidiary and associated companies owned 57% of the company's shares.

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

Sales of sisal fibre and yarns to Wigglesworth & Company Limited 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.

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

	Group	
i) Sales of goods and services	2011	2010
	Shs'000	Shs'000
Sale of sisal fibre and yarns		
Wigglesworth & Company Limited	1,781,556	1,223,922
ii) Purchase of management and legal services		
Kaplan & Stratton	543	771
REA Trading Limited	3,351	3,240
	3,894	4,011
iii) Purchase of goods and services		
Wigglesworth & Company Limited – mill machinery	-	1,747
iv) Interest paid		
Wigglesworth & Company Limited	493	314
v) Key management compensation		
Remuneration paid to directors and key management staff was as follows:		
Salaries and other short term benefits	74,217	67,301
Post employment benefits	584	548
	74,801	67,849

32 Related party transactions *(continued)*

	Group 2011 Shs'000	Group 2010 Shs'000
vi) Outstanding balances		
Current receivables (Note 20)		
Wigglesworth & Company Limited	144,745	108,952
Current payables		
Wigglesworth & Company Limited – current account (Note 26)	9,279	7,819
Wigglesworth & Company Limited – loan (Note 23)	-	64,624
	9,279	72,443

	Company 2011 Shs'000	Company 2010 Shs'000
vii) Outstanding balances		
Current receivables (Note 20)		
Amounts due from group companies		
Dwa Estate Limited	98,723	60,007
Amboni Plantations Limited – current account	26,598	5,151
Amboni Plantations Limited – loan account	-	8,500
Amboni Spinning Mill Limited	28,245	-
	153,566	73,658
Amounts due from related parties		
Wigglesworth & Company Limited	31,072	32,763
Current payables (Note 26)		
Amounts due to group companies		
Amboni Spinning Mill Limited	-	3,216
Wigglesworth Exporters Limited	2,711	694
Vipingo Estate Limited	370,868	395,604
	373,579	399,514
Amounts due to related parties		
Wigglesworth & Company Limited	779	821

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.

I/We ____

of____

being a Member/Members of the above named company, hereby appoint ____________________ or failing him the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 30th March 2012 and at any adjournment thereof.

Signature ______________________ Date ______________________ 2012

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 Thursday 29th March 2012.

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