

REA VIPINGO PLANTATIONS LIMITED

**Unaudited Condensed Interim Consolidated Financial Statements
For the six months ended 31 March 2013**

REA Vipingo Plantations Limited
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Directors:

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

Chairman's statement

The year has started well for the group and I am very pleased to report a profit before tax for the first six months of shs 281 million from a turnover of shs 1.24 billion.

The Kenyan estates, despite a slow start as a result of the drought that affected the Dwa estate during much of last year, have produced well during the period under review and overall are operating to budget in both financial and volume terms. As a consequence of last year's drought, the volume of high grade fibre produced at Dwa has been below budget but, following satisfactory rainfall in December and again in March/April, the grade mix is expected to improve during the remainder of the year.

The Tanzanian estates have all faced some operational challenges and have, as a result, produced less fibre and poorer grades than was forecast for the period.

In common with most of East Africa, the current April/May rains have been very good at all our estates and we expect to have a good leaf position through until at least the end of the financial year.

The Tanga Spinning mill has been reasonably busy throughout with satisfactory sales into a number of our established international and regional markets.

Sisal fibre prices, which have been firm for a number of years, have remained at remunerative levels although volumes into a number of premium markets have been slightly lower than for the corresponding period last year. The indications are that prices and sales should remain at satisfactory levels for the remainder of the current financial period.

Operating costs in Kenya have been in line with expectations but costs in Tanzania have been generally higher than budgeted. The continued unreliable grid power supply situation continues to contribute to higher energy costs as we are forced to use diesel generators for extended periods.

Provided that the sisal fibre market remains robust and fibre production can be sustained at expected levels, I expect the company to continue to achieve a satisfactory level of profitability for the remainder of this financial period.

OLIVER FOWLER
CHAIRMAN

Condensed consolidated statement of profit or loss and other comprehensive income

	Notes	Six months ended 31 March	
		2013 Shs'000	2012 Shs'000
Revenue	4	1,243,925	1,250,034
Gain arising from changes in fair value of biological assets		46,272	40,421
Cost of sales		(666,854)	(637,442)
Gross Profit		623,343	653,013
Interest income		4	9
Other operating income		10,715	18,653
Distribution costs		(44,763)	(39,094)
Administrative expenses		(300,553)	(277,121)
Other operating expenses		(3,733)	(3,676)
Finance costs	5	(5,347)	(16,683)
Foreign exchange gains/(losses)		1,190	(33,212)
Profit before tax		280,856	301,889
Tax		(90,104)	(93,487)
Profit for the period		190,752	208,402
Comprising:			
Profit arising from operating activities		158,362	180,108
Gain arising from changes in fair value of biological assets		32,390	28,294
		190,752	208,402
Other comprehensive loss for the period			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange adjustment on translation of foreign subsidiaries		(14,765)	(85,428)
Total comprehensive income for the period		175,987	122,974
Earnings per share - basic and diluted	7	Shs 3.18	Shs 3.47

Condensed consolidated statement of financial position

	Notes	31 March 2013 Shs'000	30 September 2012 Shs'000	31 March 2012 Shs'000
ASSETS				
Non-current assets				
Property, plant and equipment	8	826,970	806,444	761,869
Biological assets	9	695,552	656,077	596,924
Investment property	10	4,592	4,619	4,674
Investment in unquoted shares		9,151	9,151	9,151
Deferred tax assets		1,814	1,891	1,654
Post employment benefit assets		18,880	18,880	15,524
		<u>1,556,959</u>	<u>1,497,062</u>	<u>1,389,769</u>
Current assets				
Inventories		498,776	461,210	486,722
Receivables and prepayments		376,702	366,792	301,519
Tax recoverable		1,930	23,253	7,534
Bank balances and cash		99,576	28,301	63,644
		<u>976,984</u>	<u>879,556</u>	<u>859,419</u>
Total assets		<u><u>2,533,943</u></u>	<u><u>2,376,618</u></u>	<u><u>2,249,188</u></u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		300,000	300,000	300,000
Share premium		84,496	84,496	84,496
Translation deficit		(129,868)	(115,103)	(139,383)
Retained earnings		1,577,504	1,452,752	1,280,721
Shareholders' funds		<u>1,832,132</u>	<u>1,722,145</u>	<u>1,525,834</u>
Non-current liabilities				
Borrowings	11	43,249	48,605	64,803
Deferred tax liabilities		260,033	242,457	208,769
Post employment benefit obligations		113,386	105,427	96,261
		<u>416,668</u>	<u>396,489</u>	<u>369,833</u>
Current liabilities				
Payables and accrued expenses		144,236	155,486	144,630
Tax payable		38,516	-	51,423
Borrowings	11	36,391	102,498	91,468
Dividend payable	6	66,000	-	66,000
		<u>285,143</u>	<u>257,984</u>	<u>353,521</u>
Total equity and liabilities		<u><u>2,533,943</u></u>	<u><u>2,376,618</u></u>	<u><u>2,249,188</u></u>

Condensed consolidated statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Translation deficit Shs'000	Retained earnings			Total Shs'000
				Biological assets fair value Shs'000	Other Shs'000	Total Shs'000	
Balance at 1 October 2011	300,000	84,496	(53,955)	260,075	878,244	1,138,319	1,468,860
Profit for the period	-	-	-	28,294	180,108	208,402	208,402
Other comprehensive loss for the period	-	-	(85,428)	-	-	-	(85,428)
Total comprehensive (loss)/income for the period	-	-	(85,428)	28,294	180,108	208,402	122,974
Dividend for 2011	-	-	-	-	(66,000)	(66,000)	(66,000)
Balance at 31 March 2012	300,000	84,496	(139,383)	288,369	992,352	1,280,721	1,525,834
Balance at 1 October 2012	300,000	84,496	(115,103)	321,422	1,131,330	1,452,752	1,722,145
Profit for the period	-	-	-	32,390	158,362	190,752	190,752
Other comprehensive loss for the period	-	-	(14,765)	-	-	-	(14,765)
Total comprehensive (loss)/income for the period	-	-	(14,765)	32,390	158,362	190,752	175,987
Dividend for 2012	-	-	-	-	(66,000)	(66,000)	(66,000)
Balance at 31 March 2013	300,000	84,496	(129,868)	353,812	1,223,692	1,577,504	1,832,132

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.

Condensed consolidated statement of cash flows

	Six months ended 31 March	
	2013	2012
	Shs'000	Shs'000
Cash generated from operations	226,885	285,333
Interest received	4	9
Interest paid	(5,347)	(16,683)
Tax paid	(9,747)	(49,658)
	<hr/>	<hr/>
Net cash generated from operating activities	211,795	219,001
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(73,874)	(85,747)
Proceeds from disposals of property, plant and equipment	3,134	511
	<hr/>	<hr/>
Net cash used in investing activities	(70,740)	(85,236)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from long-term borrowings	14,057	-
Repayment of long-term borrowings	(23,601)	(19,372)
	<hr/>	<hr/>
Net cash used in financing activities	(9,544)	(19,372)
	<hr/>	<hr/>
Increase in cash and cash equivalents	131,511	114,393
	<hr/> <hr/>	<hr/> <hr/>
Movement in cash and cash equivalents		
At start of interim period	(33,104)	(94,047)
Increase	131,511	114,393
Effects of exchange rate changes	273	4,951
	<hr/>	<hr/>
At end of interim period	98,680	25,297
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed interim consolidated financial statements

1 General information

REA Vipingo Plantations Limited (the company) is incorporated in Kenya under the Kenya 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 subsidiary companies, which are wholly owned and unquoted and whose results for the period are included in these condensed interim consolidated financial statements are:

Company	Country of incorporation	Principal activity
Amboni Plantation Limited	Tanzania	Cultivation of sisal and sale of sisal fibre
Amboni Spinning Mill Limited	Tanzania	Manufacture and sale of sisal twine and yarn
Dwa Estate Limited	Kenya	Cultivation of sisal and sale of sisal fibre; cultivation and sale of agricultural produce.
Wigglesworth Exporters Limited	Kenya	Export of sisal fibre
Vipingo Estate Limited	Kenya	Property holding

2 Basis of preparation

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2012 annual financial statements.

Notes to the condensed interim consolidated financial statements (continued)

3. Significant accounting policies

The condensed interim financial statements have been prepared under the historical cost convention except where otherwise stated.

The same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the annual financial statements for the year ended 30th September 2012.

These financial statements are presented in Kenya Shillings Thousands (Shs'000).

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for 2013 is 30% (the estimated tax rate used for the first half year of 2012 was 30%).

4 Segment information

	Agriculture Shs'000	Spinning Shs'000	Total Shs'000
Six months ended 31 March 2013			
Total sales	1,122,695	181,324	1,304,019
Inter-segment sales	(58,040)	(2,054)	(60,094)
	<hr/>	<hr/>	<hr/>
Sales revenue	1,064,655	179,270	1,243,925
	<hr/>	<hr/>	<hr/>
Profit before tax	263,994	16,862	280,856
	<hr/>	<hr/>	<hr/>
Segment assets	2,350,690	183,253	2,533,943
	<hr/>	<hr/>	<hr/>
Segment liabilities	674,123	27,688	701,811
	<hr/>	<hr/>	<hr/>
Six months ended 31 March 2012			
Total sales	1,106,927	224,749	1,331,676
Inter-segment sales	(80,137)	(1,505)	(81,642)
	<hr/>	<hr/>	<hr/>
Sales revenue	1,026,790	223,244	1,250,034
	<hr/>	<hr/>	<hr/>
Profit before tax	275,970	25,919	301,889
	<hr/>	<hr/>	<hr/>
Segment assets	2,102,463	146,725	2,249,188
	<hr/>	<hr/>	<hr/>
Segment liabilities	689,736	33,618	723,354
	<hr/>	<hr/>	<hr/>

Notes to the condensed interim financial statements (continued)

5 Finance costs

	Six months ended 31 March	
	2013	2012
	Shs'000	Shs'000
Interest expense	5,347	16,683
	<hr/>	<hr/>

6 Dividend

A final dividend in respect of the year ended 30 September 2012 of shs 1.10 per share amounting to Shs 66,000,000 was approved at the Annual General Meeting held on 27 March 2013.

No dividend is proposed in respect of the half year to 31 March 2013 (2012:nil).

7 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period (2013 and 2012:60,000,000).

There were no potentially dilutive shares outstanding at 31 March 2013 or 31 March 2012.

8 Capital expenditure and commitments

	Property, plant and equipment Shs'000
Six months ended 31 March 2013	
Net book amount at start of period	806,444
Additions	73,874
Disposals at net book amount	(228)
Translation adjustment	(5,637)
Depreciation for the period	(47,483)
	<hr/>
Net book amount at end of period	826,970
	<hr/> <hr/>
Capital commitments at 31 March 2013	18,192
	<hr/>

Notes to the condensed interim consolidated financial statements (continued)

9 Biological assets	Sisal plants and nurseries Shs'000	Horticultural crops Shs'000	Total Shs'000
Six months ended 31 March 2013			
Carrying amount at start of period			
Immature crops	191,556	2,881	194,437
Mature crops	460,089	1,551	461,640
	<hr/>	<hr/>	<hr/>
Total	651,645	4,432	656,077
	<hr/>	<hr/>	<hr/>
Loss arising from changes in fair value attributable to physical changes	(10,372)	(451)	(10,823)
Gain arising from changes in fair value attributable to price changes	88,923	-	88,923
Loss arising from changes in fair value attributable to changes in exchange rate	(31,828)	-	(31,828)
	<hr/>	<hr/>	<hr/>
Net fair value gain / (loss)	46,723	(451)	46,272
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Translation adjustment	(6,797)	-	(6,797)
	<hr/>	<hr/>	<hr/>
Carrying amount at end of period	691,571	3,981	695,552
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Immature crops	281,604	2,953	284,557
Mature crops	409,967	1,028	410,995
	<hr/>	<hr/>	<hr/>
Total	691,571	3,981	695,552
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The assumptions made in determining the fair value of biological assets remain unchanged from those made in respect of the year to 30th September 2012.

10 Investment property

	Shs'000
Six months ended 31 March 2013	
Net book amount at start of period	4,619
Depreciation for the period	(27)
	<hr/>
Net book amount at end of period	4,592
	<hr/> <hr/>

Notes to the condensed interim consolidated financial statements (continued)

11	31 March 2013 Shs'000	30 September 2012 Shs'000
Borrowings		
Total borrowings	79,640	151,103
Less: current portion	36,391	(102,498)
	<hr/>	<hr/>
Non-current portion	43,249	48,605
	<hr/>	<hr/>
Non-current		
Bank loans	43,249	48,605
	<hr/>	<hr/>
Current		
Bank overdrafts	896	61,405
Bank loans	35,495	41,093
	<hr/>	<hr/>
	36,391	102,498
	<hr/>	<hr/>
Total borrowings	79,640	151,103
	<hr/>	<hr/>

12 **Issued Capital**

Issued and fully paid capital at the end of the period was 60 million ordinary shares with a par value of shs 5 per share. There were no movements in the issued capital of the company in either the current or the prior interim reporting periods.

13 **Related party transactions**

During the six months ended 31 March, the following transactions were carried out with related parties:

	2013 Shs'000	2012 Shs'000
i) Sales of goods and services		
Wigglesworth & Company Limited		
Sales of sisal fibre and yarns at market prices	1,015,112	1,025,601
Sale of machinery	599	-
	<hr/>	<hr/>
	1,015,711	1,025,601
	<hr/>	<hr/>

Notes to the consolidated condensed financial statements (continued)

13	Related party transactions (continued)		
		2013	2012
		Shs'000	Shs'000
	ii) Purchase of management and legal services		
	Kaplan & Stratton	120	565
	REA Trading Limited	3,498	3,323
		<hr/>	<hr/>
		3,618	3,888
		<hr/>	<hr/>
	iii) Key management compensation Remuneration paid to directors and key management staff:		
	Salaries and other short term benefits	52,583	39,263
	Post employment benefits	552	310
		<hr/>	<hr/>
		53,135	39,573
		<hr/>	<hr/>
	iv) Outstanding balances		
		31 March	30 September
		2013	2012
		Shs'000	Shs'000
	Current receivables		
	Wigglesworth & Company Limited	211,067	174,143
		<hr/>	<hr/>
	Current payables		
	Wigglesworth & Company Limited	8,816	8,455
		<hr/>	<hr/>

14 Approval of interim statements

The interim financial statements were approved by the board of directors on 27th May 2013.