

Condensed consolidated statement of comprehensive income

	Notes	Six months ended 31 March	
		2011 Shs'000	2010 Shs'000
Revenue	4	974,725	660,385
Gain/(loss) arising from changes in fair value of biological assets		38,508	(14,027)
Cost of sales		(513,161)	(437,212)
Gross Profit		500,072	209,146
Interest income		9	527
Other operating income		8,196	5,588
Distribution costs		(40,661)	(34,657)
Administrative expenses		(224,080)	(177,695)
Other operating expenses		(453)	(692)
Finance costs	5	(14,444)	(9,073)
Foreign exchange losses		(944)	(132)
Profit/(loss) before tax		227,695	(6,988)
Tax		(74,293)	(766)
Profit/(loss) for the period		153,402	(7,754)
Comprising:			
Profit arising from operating activities		126,446	2,065
Gain/(loss) arising from changes in fair value of biological assets		26,956	(9,819)
		153,402	(7,754)
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		11,547	(345)
Total comprehensive income/(loss) for the period		164,949	(8,099)
Earnings/(loss) per share - basic and diluted	7	Shs 2.56	Shs (0.13)

Condensed consolidated statement of financial position

	Notes	31 March 2011 Shs'000	30 September 2010 Shs'000	31 March 2010 Shs'000
ASSETS				
Non-current assets				
Property, plant and equipment	8	465,060	418,136	344,405
Biological assets	9	461,430	417,449	387,037
Prepaid operating lease rentals		214,866	215,469	139,308
Investment in unquoted shares		15,251	15,251	15,251
Deferred tax assets		35,858	54,220	49,532
		<u>1,192,465</u>	<u>1,120,525</u>	<u>935,533</u>
Current assets				
Inventories		417,091	322,998	285,778
Receivables and prepayments		253,440	225,013	195,028
Tax recoverable		4,922	22,380	10,776
Cash and cash equivalents		20,588	16,100	15,116
		<u>696,041</u>	<u>586,491</u>	<u>506,698</u>
Total assets		<u>1,888,506</u>	<u>1,707,016</u>	<u>1,442,231</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		(102,973)	(114,520)	(91,159)
Retained earnings		824,525	719,123	644,014
Shareholders' funds		<u>1,106,048</u>	<u>989,099</u>	<u>937,351</u>
Non-current liabilities				
Borrowings	10	33,325	33,984	40,045
Deferred tax liabilities		155,137	141,030	117,374
Post employment benefit obligations		82,016	77,781	65,962
Other liabilities		29,047	28,273	-
		<u>299,525</u>	<u>281,068</u>	<u>223,381</u>
Current liabilities				
Payables and accrued expenses		126,871	145,600	111,488
Tax payable		22,735	-	7,008
Borrowings	10	256,280	262,976	133,003
Dividend payable	6	48,000	-	30,000
Other liabilities		29,047	28,273	-
		<u>482,933</u>	<u>436,849</u>	<u>281,499</u>
Total equity and liabilities		<u>1,888,506</u>	<u>1,707,016</u>	<u>1,442,231</u>

Condensed consolidated statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Share 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 2009	300,000	84,496	(90,814)	151,090	530,678	681,768	975,450
Other comprehensive loss for the period	-	-	(345)	-	-	-	(345)
(Loss)/profit for the period	-	-	-	(9,819)	2,065	(7,754)	(7,754)
Dividend for 2009	-	-	-	(30,000)	(30,000)	(30,000)	(30,000)
Balance at 31 March 2010	300,000	84,496	(91,159)	141,271	502,743	644,014	937,351
Balance at 1 October 2010	300,000	84,496	(114,520)	153,067	566,056	719,123	989,099
Other comprehensive income for the period	-	-	11,547	-	-	-	11,547
Profit for the period	-	-	-	26,956	126,446	153,402	153,402
Dividend for 2010	-	-	-	-	(48,000)	(48,000)	(48,000)
Balance at 31 March 2011	300,000	84,496	(102,973)	180,023	644,502	824,525	1,106,048

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	
	2011	2010
	Shs'000	Shs'000
Cash generated from operations	101,272	8,176
Interest received	9	527
Interest paid	(14,444)	(9,073)
Tax paid	(3,574)	(5,716)
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Net cash generated from/(used in) operating activities	83,263	(6,086)
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Cash flows from investing activities		
Purchase of property, plant and equipment	(73,535)	(53,843)
Proceeds from disposals of property, plant and equipment	4,047	2,717
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Net cash used in investing activities	(69,488)	(51,126)
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Cash flows from financing activities		
Proceeds from long-term borrowings	82,316	43,504
Repayment of long-term borrowings	(21,288)	(14,772)
Repayment of short term borrowings	(65,325)	-
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Net cash (used in)/generated from financing activities	(4,297)	28,732
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Increase/(decrease) in cash and cash equivalents	9,478	(28,480)
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Movement in cash and cash equivalents		
At start of interim period	(144,730)	(54,291)
Increase/(decrease)	9,478	(28,480)
Effects of exchange rate changes	(451)	(40)
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At end of interim period	(135,703)	(82,811)
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Notes to the consolidated condensed financial statements (continued)

5 Finance costs

	Six months ended 31 March	
	2011	2010
	Shs'000	Shs'000
Interest expense	14,444	9,073

6 Dividend

A final dividend in respect of the year ended 30 September 2010 of shs 0.80 per share amounting to Shs 48,000,000 was approved at the Annual General Meeting held on 25 March 2011.

No dividend is proposed in respect of the half year to 31 March 2011 (2010:nil).

7 Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period by the weighted average number of ordinary shares in issue during the period (2011 and 2010:60,000,000).

There were no potentially dilutive shares outstanding at 31 March 2011 or 31 March 2010.

8 Capital expenditure and commitments

	Property, plant and equipment Shs'000
Six months ended 31 March 2011	
Net book amount at start of period	418,136
Additions	77,018
Disposals at net book amount	(383)
Re-allocation	(3,484)
Translation adjustment	5,582
Depreciation for the period	(31,809)
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Net book amount at end of period	465,060
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Capital commitments at 31 March 2011	Nil
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Chairman's statement

The year has, I am pleased to say, started well for the group. During the six months to March we have experienced a better than normal leaf position which has resulted in the production of high volumes of good quality sisal on virtually all of our estates.

Volumes have been particularly high at Dwa, our largest estate, where we have also been able to produce a good quantity of high grade fibre. Vipingo, and our Tanzanian estates, have also produced well during the period despite disappointing rains.

The sisal fibre market continued to improve during the period and is today at a very satisfactory level. The group is well sold and the benefits of the better prices are evident in the financial results.

Whilst fibre prices and exchange rates have improved, we are now incurring materially higher operating costs as a result of the huge increase in the cost of fuel. The increased cost of fuel has also had an impact upon our power costs as, in Kenya, the cost of power is affected to a significant degree by oil prices. In Tanzania there has been a large increase in power costs but, perhaps of more significance, is the power rationing which has meant that our estates are having to use standby diesel generators on an almost continuous basis.

The Tanga spinning mill has been very busy throughout the first six months but, with increased fibre and operating costs, margins have been materially eroded.

The rains this season have, so far, been very disappointing, particularly in Kenya, and we have some concerns that if we do not have some late rain, we may have to scale back operations on both of the Kenya estates during the latter part of the financial period. Any reduction in production will clearly have an impact on both volumes and quality with a resultant reduction in income.

If Kenya does receive some late or unseasonal rainfall, and operating expenses can be contained, the improved fibre prices that we are seeing should enable us to have a satisfactory second half year.

OLIVER FOWLER
CHAIRMAN