REA VIPINGO PLANTATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

Table of Contents

Company Information

Directors	The directors of the company are as follows:
Oliver Fowler	*Chairman,* aged 54, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 25 years. He is a director of Nyara Tea Estate Limited and Panafrican Paper Mills (E.A.) Limited.
Neil Cuthbert	*Managing,* aged 51, has been managing director since late 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	Aged 61, 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 chairman of M P Evans Group plc and a non-executive director of Sipef SA. 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.
Musa Sang	Aged 71, formerly assistant managing director of Brooke Bond Kenya Limited (now Unilever Tea Kenya Limited). Having joined that company in 1955, he rose to group manager, tea estates in 1973 and was appointed to the board in 1977 where he continues to serve as a non-executive director.
Stephen Waruhiu	Aged 52, is a licenced 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 26 years.

Secretary and registered office

Ian Hodson,
Certified Public Secretary (Kenya),
Madison Insurance House, Upper Hill Road,
P.O. Box 17648, Nairobi 00500

Registrars and transfer office

Custody and Registrar Services Limited,
Bank House, Moi Avenue,
P.O. Box 8484, Nairobi 00100

Auditors

Deloitte & Touche,
Certified Public Accountants (Kenya),
“Kirungii”, Ring Road, Westlands,
P.O. Box 40092, Nairobi 00100

Notice of meeting

Notice is hereby given that the twelfth annual general meeting of the company will be held at Holiday Inn, Mayfair Court Hotel, Parklands Road, Nairobi on Friday 23 March 2007, at 10.00 a.m. for the following purposes:

As ordinary business:

1. To receive and consider the company's annual report and financial statements for the year ended 30 September 2006.

2. To approve the payment of a first and final dividend for the year ended 30 September 2006 of shs 0.80 per share payable on or about 15 June 2007 to shareholders registered at the close of business on 26 March 2007.

3. To elect directors in accordance with the company's Articles of Association.

4. To approve the directors' remuneration for the year ending 30 September 2007.

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

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

By order of the board

I R HODSON
Secretary
8 January 2007

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 some 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

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

The board is committed to ensuring compliance with all of those guidelines on corporate governance best practices as issued by the Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA) that are appropriate to the circumstances of the group and adherence generally to best practice in corporate governance. The directors acknowledge their responsibility for maintaining internal control systems to safeguard the assets of the group and ensure the reliability of financial information. Whilst these controls are considered to be appropriate to the circumstances of the group, they can only provide reasonable and not absolute assurance against material misstatement or loss.

Board of Directors

The composition of the board is given on page 1 of this report. Four out of the five members of the board, including the chairman, are non-executive directors. This ensures that the decision-making process is objective and takes into account the rights and expectations of the body of shareholders as a whole. All of the non-executive directors have experience and expertise which is considered relevant to the requirements of the company. All directors, other than the managing director who is exempted, are required to retire and seek re-election 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 company to the Managing Director and senior personnel. The principal responsibilities of the directors are to define the mission and strategy of the company and to ensure that the company complies with statutory and regulatory requirements and with 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 Musa Sang. 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 auditor is invited. In addition, the committee consults by electronic means as may be necessary.

The nomination committee comprises of Oliver Fowler, Richard Robinow and Neil Cuthbert. It is responsible for the nomination of board candidates. The committee meets as and when required.

The remuneration committee comprises Richard Robinow and Musa Sang. It is responsible for the determination of the executive director's remuneration. It meets annually or as may be required.

Corporate governance (continued)

Communication with shareholders

The company provides appropriate information to shareholders by means of an annual report, an interim report and other communications as may be necessary.

Directors' emoluments and loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year are disclosed in Note 4 to the financial statements. 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 Board has issued and adopted policy statements relating to Health and Safety (H & S), HIV/Aids and Employment Policies in general.

Health and Safety Committees, comprising of equal representation from management and unionisable employees, have been established on both of our Kenyan Estates which are subject to regular H & S audits.

Environmental Audits, as required by Kenyan Legislation, are conducted regularly. The group is committed to the protection of the environment and has commenced experimental forestry programmes at all locations. Sisal waste from the decorticating process is recycled by applying it to the fields as a natural fertiliser.

The company is a signatory to the Code of Practice (COP) initiated by the Sisal Growers and Employers' Association. The COP defines standards relating to employment practices, health and safety standards, HIV/AIDS policies and environmental standards based on Kenyan legislation, international standards and generally accepted best practice. Observance of the code is monitored by regular audit undertaken by an independent expert.

Corporate social responsibility

The group devotes considerable resources towards the social welfare of its employees by provision of housing, educational, health and social facilities. Particular emphasis has recently been placed upon HIV/AIDS with the establishment, in conjunction with various NGO's, of various awareness programmes and trained peer counsellors from among the workforce.

The group acknowledges its responsibilities to the general community and participates in various health, educational and social projects within the areas in which it operates.

Directors' interest

The interest of the directors in the shares of the company at 30 September 2006 were as follows:

Name of director	Number of ordinary shares
Oliver Fowler	58,929
Neil Cuthbert	1,375,292
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.

Corporate governance (continued)

The ten largest shareholdings at the balance sheet date were:

Name	No of Shares	Percentage
REA Holdings plc	21,880,745	36.47%
Unitbuckle Holdings Limited	6,537,574	10.90%
REA Trading Limited	5,808,535	9.69%
East African Development Bank	2,839,286	4.73%
N.R. Cuthbert	1,375,292	2.29%
V.N. Morjaria	861,377	1.44%
J.B. Emmett	700,978	1.16%
Prime Securities Investments Trust	529,278	0.88%
Ogura Trading Company Limited	514,286	0.85%
DSL Nominees Limited – Account 2210	491,235	0.82%
	41,538,586	69.23%
5,831 other shareholders	18,461,414	30.77%
	60,000,000	100.00%

Distribution of shareholders

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
Less than 500	1,614	327,010	0.55%
500-5,000	3,670	5,634,158	9.39%
5,001-10,000	272	2,017,463	3.36%
10,001-100,000	249	5,753,508	9.59%
100,001-1,000,000	31	7,826,429	13.04%
Above 1,000,000	5	38,441,432	64.07%
	5,841	60,000,000	100.00%

Chairman's statement

I am very pleased to be able to report that despite less than ideal climatic conditions, and a very unfavourable exchange rate in Kenya, the company has had another good year.

Total fibre production was 16,279 tonnes, an increase of nearly 3% over the previous year, which it will be recalled, was nearly 12% up on the year before. The drought during the first half of the year did reduce volumes to some extent during the second quarter but, fortunately, this was recovered during the latter part of the financial year. Overall the group also continued to increase the volume of the high grade fibre produced.

The Tanga spinning mill was busy throughout most of the year with good orders, in terms of volume, from both the local and export market and overall production of spun product was nearly 2,800 tonnes. Margins for mill product were, however, very tight as a result of higher fibre and other input costs and resistance from the export market to price increases.

Sisal fibre prices, in dollar terms, increased progressively through the year but, unfortunately, the strengthening of the Kenya shilling negated to a large degree the gains made. Despite the unfavourable exchange rate, turnover increased by nearly 7% to Kshs 1.18 billion.

During the year the group experienced significant increases in operating expenses in almost all areas of operations. Labour wages continue to rise annually in Kenya without any commensurate increase in productivity, as do almost all other costs associated with the employment of people. Fuel costs, which are a significant operating expense for the group, increased materially during the year, as did power, export forwarding and a number of other costs.

As a consequence and, despite increased volumes and an excellent sisal fibre market, we have had a decline in profitability. Operating profits are shs 32.3 million lower than the previous year at shs 184.4 million. Profit before tax was shs 157.4 million, some shs 27.8 million less than 2004/2005.

Although we are presently faced with an even more unfavourable exchange rate in Kenya, and the possibility of further cost increases, your board recommends the payment of a first and final dividend of shs 0.80 per share.

Looking at the current year, provided the rains are within normal average expectations, fibre volumes are expected to remain broadly at the same levels as have been achieved. The group is very well sold at remunerative dollar prices and the indications are that the sisal fibre market will remain buoyant for the duration of the current year. The Kenya shilling exchange rate, and the weak US Dollar, remain a major concern and it is to be hoped that the Kenya government will take steps to protect exporters and major employers such as ourselves.

Margins for spun product in the Tanga spinning mill are likely to be tight whilst fibre prices remain high.

I am pleased to note that the end of year rains have been good at all locations in which we operate and, provided the April rains are satisfactory enough to enable fibre volumes to be sustained at current levels, and there is some reversal in the strength of the Kenya shilling, your board is confident that the company will continue to operate at a satisfactory level of profitability.

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

OLIVER FOWLER
CHAIRMAN

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2006 and crops are stated for the whole year ended on that date and referred to as the 2006 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	3,010
Immature sisal	1,265
Nurseries	77
Other areas	4,638
	8,990

Total rainfall recorded at Dwa was well below average for the year with particularly poor November rains. However, following the drought caused by the inadequate November rains, the estate experienced a reasonable rainfall distribution during the early part of 2006 with the result that overall fibre production was above expectations at 5,925 tonnes (2005 – 5,835 tonnes).

Providing the estate receives a reasonable distribution of rainfall during the current year, sisal fibre production can be expected to be close to what was achieved during the year under review.

The majority of the annual planting at Dwa is carried out prior to the November rains, historically the more reliable in the area, and some 422 hectares were planted in 2006.

Vipingo

The Vipingo estate is situated on the Kenya coast, some 30 kilometres north of Mombasa. The estate covers an area of 3,950 hectares made up as follows:

	Hectares
Mature sisal	1,837
Immature sisal	653
Nurseries	75
Other areas	1,385
	3,950

Vipingo experienced a mixed weather pattern during the year under review with almost drought conditions during the early part of the year, followed by an exceptionally wet April and then almost weekly rain throughout the remainder of the year. The unusual weather conditions, combined with a major equipment failure, resulted in a lower than expected sisal fibre production from the estate. Total fibre production was 5,181 tonnes (2005 – 5,445 tonnes).

The estate has started the current year with good rainfall and, subject to normal climatic conditions prevailing, is expected to produce a slightly higher tonnage during the current year.

Planting at Vipingo is carried out prior to the May rains and some 201 hectares were planted in 2006.

Review of operations (continued)

Amboni Plantations Limited

The Amboni estates comprise two separate properties, Mwera and Sakura estates, situated adjacent to each other on the Tanzanian coast some 60 kms south of Tanga. The estates cover an area of 10,870 hectares made up as follows:

	Hectares
Mature sisal	2,173
Immature sisal	1,153
Nurseries	72
Other areas	7,472
	10,870

The Tanzanian estates experienced some water shortages during the drought in the early part of the year but nevertheless managed to achieve a record sisal fibre production of 5,173 tonnes (2005 – 4,552 tonnes).

The significant investments made in recent years in Tanzania are now showing positive results in terms of sisal fibre production and economies of scale. Given normal climatic conditions during the current year, it is expected that there will be a further increase in volume.

Planting in Tanzania is generally carried out prior to the May rains and a total of 443 hectares were planted in 2006.

Amboni Spinning Mill Limited

The Tanga spinning mill, situated on the outskirts of Tanga had a good year in terms of output with a total production of 2,786 tonnes (2005 – 2,588 tonnes). The increase in volume was a result of good orders for coarser yarns from both the local and export markets.

With sisal fibre prices increasing during the period under review, together with other cost increases, margins for mill product were, and remain today, tight. This situation is expected to remain whilst fibre prices remain high and it remains difficult to substantially increase selling prices. In addition, labour costs are expected to rise in 2007.

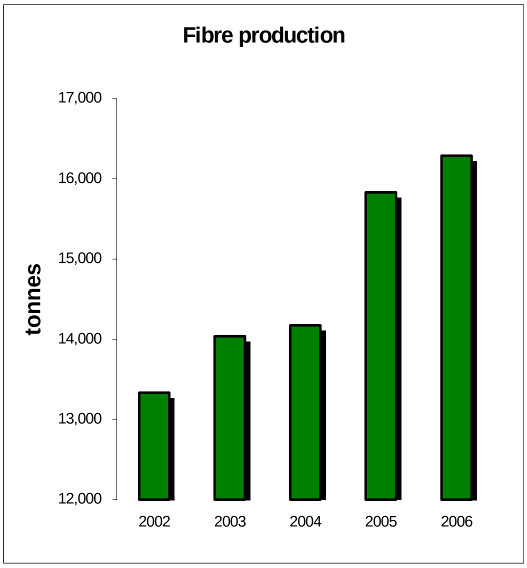
Marketing

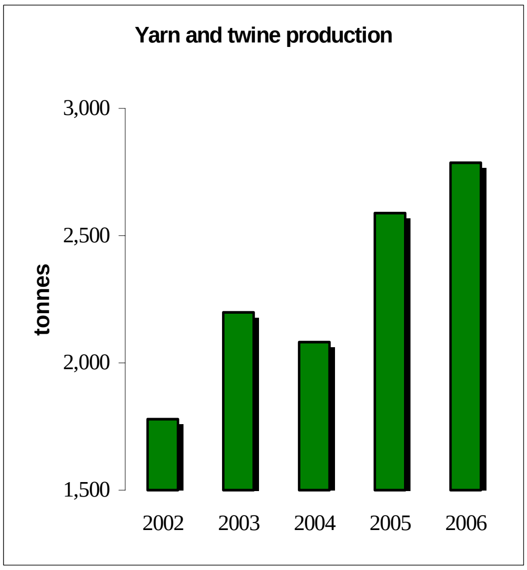
Exported sisal fibre and products from the group’s estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Co, and this arrangement continued through the year to 30 September 2006. Wigglesworth & Co, which is a leading international sisal 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.

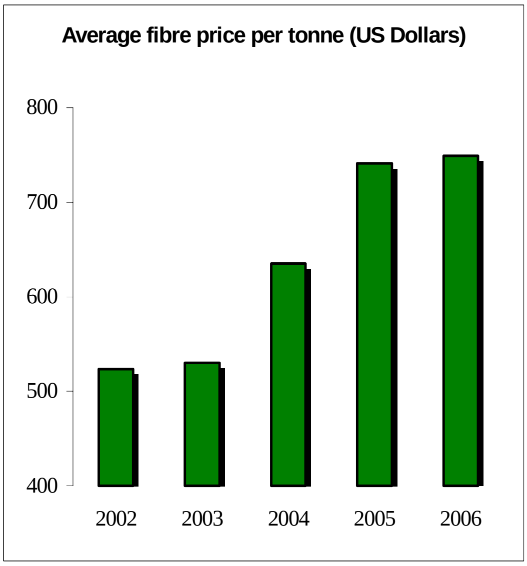
Review of operations (continued)

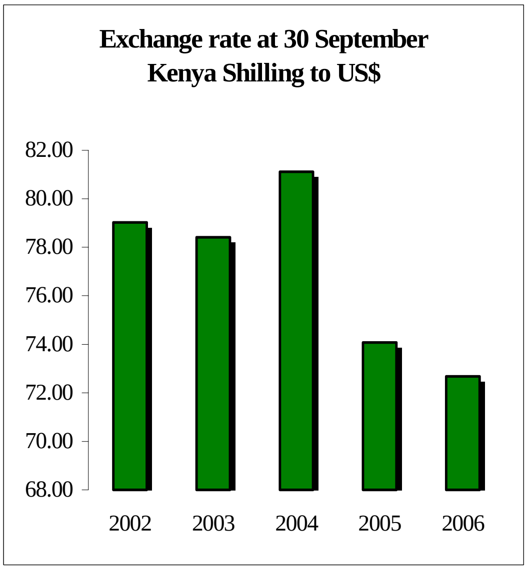
Group statistical information

Total sisal fibre production increased by a further 3% to 16,279 tonnes and spun product production also increased by 8% to 2,786 tonnes. The average price of sisal fibre increased marginally but the Kenya Shilling strengthened against the US Dollar.









Report of the directors

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2006 which disclose the state of affairs of the group and the company.

Incorporation and registered office

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of the registered office is shown on page 1.

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 the production of sisal fibre and twines.

Results and dividend

The group net profit for the year of Shs 112,576,000 has been added to revenue reserves.

The directors recommend the payment of a first and final dividend amounting to Shs 48,000,000 (2005: Shs 48,000,000).

Financial risk management objectives and policies

The group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The company'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.

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	
M arap Sang	Kenyan	
V A Y Apopo	Kenyan	resigned 30 June 2006
S N Waruhiu	Kenyan	

Auditors

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

By order of the Board

I R HODSON
Secretary
8 January 2007

Statement of directors' responsibilities

The Companies Act requires the directors to prepare 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 requires the directors to ensure the group keeps proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the group. They are also responsible for safeguarding the group's assets.

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 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 operating results of the group. 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 group companies 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*

8 January 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REA VIPINGO PLANTATIONS LIMITED

We have audited the financial statements on pages 13 to 44 for the year ended 30 September 2006 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of the directors and auditors

As described on page 11, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

(a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;

(b) the financial statements give a true and fair view of the state of affairs of the company and of the group at 30 September 2006 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

Deloitte & Touche
8 January 2007

Consolidated profit and loss account

	Notes	2006 Shs'000	2005 Shs'000
Turnover	2	1,181,207	1,104,363
Fair value of sisal leaf harvested		381,269	429,188
Sisal leaf processing income		415,536	391,588
Gain/(loss) arising from changes in fair value of biological assets	11	68,929	(11,592)
Income from sisal cultivation	3	865,734	809,184
Income from manufacture and services		277,417	237,614
Operating income		1,143,151	1,046,798
Cost of sales		(643,026)	(539,464)
Gross Profit		500,125	507,334
Other operating income		5,468	5,133
Distribution costs		(53,498)	(50,799)
Administrative expenses		(264,721)	(241,444)
Other operating expenses		(2,946)	(3,470)
Operating profit	4	184,428	216,754
Finance costs – net	6	(27,070)	(31,615)
Profit before tax		157,358	185,139
Tax	7	(44,782)	(60,677)
Profit for the year		112,576	124,462
Comprising:			
Profit arising from operating activities		64,325	132,576
Profit/(loss) arising from changes in fair value of biological assets		48,251	(8,114)
		112,576	124,462
Earnings per share - basic and diluted	8	Shs 1.88	Shs 2.07
Proposed dividend per share	9	Shs 0.80	Shs 0.80

Consolidated balance sheet

	Notes	2006 Shs'000	2005 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	295,177	284,579
Biological assets	11	288,004	235,946
Prepaid operating lease rentals	12	102,194	102,376
Deferred tax assets	19	1,892	705
		687,267	623,606
Current assets			
Inventories	14	205,510	277,212
Receivables and prepayments	15	147,114	133,109
Tax recoverable		17,143	826
Cash and cash equivalents	16	9,677	10,474
		379,444	421,621
Total assets		1,066,711	1,045,227
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	300,000	300,000
Share premium		84,496	84,496
Translation reserve		(89,488)	(58,045)
Revenue reserve		357,364	244,788
Proposed dividend	9	-	48,000
Shareholders' funds		652,372	619,239
Non-current liabilities			
Borrowings	18	34,370	52,541
Deferred tax liabilities	19	91,877	79,926
Post employment benefit obligations	20	42,134	34,898
		168,381	167,365
Current liabilities			
Payables and accrued expenses	21	86,446	89,126
Tax payable		548	24,185
Borrowings	18	158,964	145,312
		245,958	258,623
Total equity and liabilities		1,066,711	1,045,227

The financial statements on pages 13 to 44 were approved by the board of directors on 8 January 2007 and signed on its behalf by:

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

Company balance sheet

	Notes	2006 Shs'000	2005 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	116,713	114,495
Biological assets	11	66,964	65,247
Prepaid operating lease rentals	12	17,344	17,362
Investment in subsidiaries	13	205,354	215,907
		406,375	413,011
Current assets			
Inventories	14	40,036	66,812
Receivables and prepayments	15	100,139	92,622
Tax recoverable		4,460	307
Cash and cash equivalents	16	7,336	6,037
		151,971	165,778
Total assets		558,346	578,789
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	300,000	300,000
Share premium		84,496	84,496
Translation reserve		(24,488)	(13,935)
Revenue reserve		73,718	34,852
Proposed dividend	9	-	48,000
Shareholders' funds		433,726	453,413
Non-current liabilities			
Borrowings	18	12,335	6,758
Deferred tax	19	9,083	18,383
Post employment benefit obligations	20	23,439	19,991
		44,857	45,132
Current liabilities			
Payables and accrued expenses	21	26,058	36,191
Borrowings	18	53,705	44,053
		79,763	80,244
Total equity and liabilities		558,346	578,789

The financial statements on pages 13 to 44 were approved by the board of directors on 8 January 2007 and signed on its behalf by:

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

Consolidated statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Translation reserve Shs'000	Proposed dividend Shs'000	Revenue Reserves: Biological assets fair value Shs'000	Revenue Reserves: Other Shs'000	Revenue Reserves: Total Shs'000	Total Shs'000
Year ended 30 September 2005								
At start of year	300,000	84,496	(25,015)	48,000	28,543	139,783	168,326	575,807
Foreign exchange translation	-	-	(33,030)	-	-	-	-	(33,030)
Net profit for the year	-	-	-	-	(8,114)	132,576	124,462	124,462
Dividends								
- paid for 2004	-	-	-	(48,000)	-	-	-	(48,000)
- proposed for 2005	-	-	-	48,000	-	(48,000)	(48,000)	-
At end of year	300,000	84,496	(58,045)	48,000	20,429	224,359	244,788	619,239
Year ended 30 September 2006								
At start of year	300,000	84,496	(58,045)	48,000	20,429	224,359	244,788	619,239
Foreign exchange translation	-	-	(31,443)	-	-	-	-	(31,443)
Net profit for the year	-	-	-	-	48,251	64,325	112,576	112,576
Dividend paid for 2005	-	-	-	(48,000)	-	-	-	(48,000)
At end of year	300,000	84,496	(89,488)	-	68,680	288,684	357,364	652,372

Company statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Proposed dividends Shs'000	Translation reserve Shs'000	Revenue Reserves: Biological assets fair value Shs'000	Revenue Reserves: Other Shs'000	Revenue Reserves: Total Shs'000	Total Shs'000
Year ended 30 September 2005								
At start of year	300,000	84,496	48,000	-	3,761	6,508	10,269	442,765
Net (loss)/profit for the year	-	-	-	-	(5,225)	77,808	72,583	72,583
Foreign exchange translation on long term loan to subsidiary	-	-	-	(13,935)	-	-	-	(13,935)
Dividends								
- paid for 2004	-	-	(48,000)	-	-	-	-	(48,000)
- proposed for 2005	-	-	48,000	-	-	(48,000)	(48,000)	-
As end of year	300,000	84,496	48,000	(13,935)	(1,464)	36,316	34,852	453,413
Year ended 30 September 2006								
At start of year	300,000	84,496	48,000	(13,935)	(1,464)	36,316	34,852	453,413
Net profit for the year	-	-	-	-	1,202	37,664	38,866	38,866
Foreign exchange translation on long term loan to subsidiary	-	-	-	(10,553)	-	-	-	(10,553)
Dividend paid – 2005	-	-	(48,000)	-	-	-	-	(48,000)
At end of year	300,000	84,496	-	(24,488)	(262)	73,980	73,718	433,726

Consolidated cash flow statement

	Notes	2006 Shs'000	2005 Shs'000
Operating activities			
Cash generated from operations	24	190,783	195,544
Interest received		13	14
Interest paid		(19,547)	(20,105)
Tax paid		(68,001)	(24,610)
Net cash generated from operating activities		103,248	150,843
Investing activities			
Purchase of property, plant and equipment		(68,743)	(76,580)
Proceeds from disposals of property, plant and equipment		2,588	795
Net cash used in investing activities		(66,155)	(75,785)
Financing activities			
Proceeds from long-term borrowings		45,360	43,847
Repayment of long-term borrowings		(44,768)	(32,448)
Finance lease principal payments		(3,397)	(11,927)
Dividend paid		(48,000)	(48,000)
Net cash used in financing activities		(50,805)	(48,528)
(Decrease)/increase in cash and cash equivalents		(13,712)	26,530
Cash and cash equivalents at start of year		(92,328)	(131,508)
Effects of exchange rate changes		9,813	12,650
Cash and cash equivalents at end of year	16	(96,227)	(92,328)

Notes

1 Accounting policies

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out below:

Adoption of new and revised international reporting standards

In 2005, several new and revised standards became effective for the first time and have been adopted by the group where relevant to its operations. The adoption of these new and revised standards had no effect on the balances reported for the current or prior years. This only resulted in changes in presentation and disclosure in the following areas:

IAS 1 which requires the disclosure of management judgement and key sources of estimation and uncertainty at the balance sheet date;
IAS 10 which has affected the presentation of proposed dividends;
IAS 16 which requires the disclosure of comparative figures for movements in property and equipment;
IAS 24 which requires the disclosure of the compensation of key management personnel.

At the date of approval of these financial statements, IFRS 7 – Financial Instruments: Disclosure was in issue but not yet effective. The adoption of this Standard, when effective, will not have a material effect on financial statements of the company.

Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets.

Critical judgements in applying the group's accounting policies

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on historical experience and expectations of future events which are believed to be reasonable under the circumstances, the actual results may differ from those estimates.

Critical accounting estimates and assumptions

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 the 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 of sisal fibre. 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 11.

Property, plant and equipment

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

Notes (continued)

1. Accounting policies (continued)

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.

The income statements of subsidiaries are translated at average exchange rates for the year and balance sheets translated at the year end closing rates. The resulting differences from translation are dealt with in reserves. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between the group companies are eliminated on consolidation.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

Segmental Reporting

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

Sales are recognised upon the delivery of products and acceptance by the customers and are stated net of VAT, where applicable, and discounts.

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 point-of-sale costs.

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 weighted average cost. Provision is made for obsolete stocks.

Notes (continued)

Accounting policies (continued)

Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation.

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

Freehold land is not depreciated.

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 or losses.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated point of sale costs. Gains and losses arising on the initial recognition of biological assets and from subsequent changes in fair value less estimated point-of-sale costs are recognised in the profit and loss account in the accounting period in which they arise.

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

Impairment

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

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

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

Notes (continued)

1. Accounting policies (continued)

Accounting for leases

Leases of property, plant and equipment where the group assumes substantially all the benefits and risks of ownership 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 long-term payables. The interest element of the finance charge is charged to the profit and loss account 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 the profit and loss account on the straight-line basis over the period of the lease.

Leasehold Land

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

Taxation

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.

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 balance sheet date 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.

Retirement benefit obligations

The group operates a defined retirement benefit 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 the income statement 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 makes contributions to the National Social Security Fund, a statutory defined contribution scheme. The group's obligations under the scheme are limited to specific contributions as legislated from time to time. The group contributions are charged to the income statement in the year to which they relate.

Notes (continued)

1 Accounting policies (continued)

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 balance sheet date.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

Translation of foreign currencies

Transactions in foreign currencies during the year are converted at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

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 reserves.

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 the profit and loss account.

Financial instruments

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

Trade receivables
Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

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.

Bank borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

Notes (continued)

1 Accounting policies (continued)

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.

Notes (continued)

2 Segment information

(a) Business segments

The group is organised into two principal business segments:

- Sisal – cultivation of sisal and production of sisal fibre
- Spinning and services – conversion of sisal fibre into yarns and twines and other related services.

	Sisal	Spinning and services	Total
	Shs'000	Shs'000	Shs'000
Year ended 30 September 2006			
Sales revenue	903,790	277,417	1,181,207
Operating profit/(loss)	187,756	(3,328)	184,428
Segment assets	951,366	115,345	1,066,711
Segment liabilities	374,870	39,469	414,339
Year ended 30 September 2005			
Sales revenue	866,750	237,613	1,104,363
Operating profit	203,922	12,832	216,754
Segment assets	892,213	153,014	1,045,227
Segment liabilities	377,280	48,708	425,988

(b) Geographical segments

The group operations consist of two main geographical segments:

- Kenya
- Tanzania

	Kenya Shs'000	Tanzania Shs'000	Total Shs'000
Year ended 30 September 2006			
Sales revenue	693,628	487,579	1,181,207
Operating profit	57,665	126,763	184,428
Segment assets	629,407	437,304	1,066,711
Segment liabilities	272,720	141,619	414,339
Year ended 30 September 2005			
Sales revenue	675,519	428,844	1,104,363
Operating profit	125,699	91,055	216,754
Segment assets	621,016	424,211	1,045,227
Segment liabilities	261,858	164,130	425,988

Notes (continued)

3 Reconciliation of revenue from sale of sisal fibre to operating income in respect of sisal cultivation

	Group	
	2006 **Shs'000**	**2005** **Shs'000**
Revenue from sale of sisal fibre	903,790	866,749
Fair value adjustment of biological assets (Note 11)	68,929	(11,592)
Net increase in actual costs of biological assets	(81,388)	(70,710)
Net (decrease)/increase in sisal fibre stocks at fair value	(25,597)	24,737
Operating income in respect of sisal cultivation	865,734	809,184

4 Operating profit

The operating profit is arrived at after charging:

	Group	
	2006 **Shs'000**	**2005** **Shs'000**
Depreciation on property, plant and equipment (Note 10)	44,443	42,046
Amortisation of leasehold land (Note 12)	118	121
Operating lease payments	6,616	6,542
Staff costs (Note 5)	346,060	308,976
Auditors' remuneration	4,044	3,032
Directors' remuneration - fees	888	726
- for management services	14,030	15,861
and after crediting:		
Profit on disposal of property, plant and equipment	(1,769)	(575)

5 Staff costs

Salaries and wages	301,593	270,678
Social security costs	10,619	11,574
Pension contributions –defined benefit scheme	4,914	4,477
Gratuity and other terminal benefits	12,650	8,820
Medical	16,284	13,427
	346,060	308,976

Notes (continued)

6 Finance costs – net

	Group 2006 Shs'000	Group 2005 Shs'000
Interest income	(13)	(11)
Net foreign exchange losses	7,536	11,524
Interest expense	19,547	20,102
	27,070	31,615

7 Tax

	Group 2006 Shs'000	Group 2005 Shs'000
Current tax	27,615	66,103
Deferred tax charge/(credit) (Note 19)	17,167	(5,426)
	44,782	60,677

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 2006 Shs'000	Group 2005 Shs'000
Profit before tax	157,358	185,139
Tax calculated at the domestic rates applicable to profits in the countries concerned	47,207	55,459
Tax effect of:		
Income not subject to tax	135	-
Expenses not deductible for tax purposes	1,022	5,130
Underprovision /(overprovision) of deferred tax in prior year	939	(4,385)
(Overprovision)/underprovision of current tax in prior year	(4,521)	4,473
Tax charge	44,782	60,677

Notes (continued)

7 Tax (continued)

Tax movement

	Group		Company	
	2006	**2005**	**2006**	**2005**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At beginning of year	23,359	(18,332)	(307)	(16,632)
Current year charge	27,615	66,103	(124)	16,346
Tax paid	(68,001)	(24,610)	(4,029)	(21)
Translation adjustment	432	198	-	-
At end of year	(16,595)	23,359	(4,460)	(307)
Balances at year end				
Tax recoverable	(17,143)	(826)	(4,460)	(307)
Tax payable	548	24,185	-	-
	(16,595)	23,359	(4,460)	(307)

8 Earnings per share

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

	Group	
	2006	**2005**
Net profit (Shs '000)	112,576	124,462
Weighted average number of ordinary shares (thousands)	60,000	60,000
Basic earnings per share (Shs)	1.88	2.07

There were no potentially dilutive ordinary shares outstanding at 30 September 2006 or 30 September 2005. Diluted earnings per share is therefore the same as basic earnings per share.

9 Dividends

At the annual general meeting to be held on 23 March 2007, a first and final dividend in respect of the year ended 30 September 2006 of Shs 0.80 (2005: Shs 0.80) per share amounting to a total of Shs 48,000,000 (2005: Shs 48,000,000) is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for Kenyan residents and 10% for non-residents.

Notes (continued)

10 Property, plant and equipment

Group

	Freehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
Cost					
At 1 October 2004	49,500	62,826	364,489	7,223	484,038
Additions	-	9,515	63,104	3,961	76,580
Transfers	-	1,808	5,327	(7,135)	-
Disposals	-	-	(10,703)	-	(10,703)
Translation adjustment	-	(1,907)	(20,044)	(541)	(22,492)
At 30 September 2005	49,500	72,242	402,173	3,508	527,423
At 1 October 2005	49,500	72,242	402,173	3,508	527,423
Additions	-	-	54,121	14,622	68,743
Transfers	-	14,594	2,067	(16,661)	-
Disposals	-	-	(9,481)	-	(9,481)
Translation adjustment	-	(1,444)	(19,354)	-	(20,798)
	49,500	85,392	429,526	1,469	565,887
Depreciation					
At 1 October 2004	-	7,999	211,000	-	218,999
Charge for the year	-	1,290	40,756	-	42,046
On disposals	-	-	(10,483)	-	(10,483)
Translation adjustment	-	(118)	(7,600)	-	(7,718)
At 30 September 2005	-	9,171	233,673	-	242,844
At 1 October 2005	-	9,171	233,673	-	242,844
Charge for the year	-	1,611	42,832	-	44,443
On disposals	-	-	(8,662)	-	(8,662)
Translation adjustment	-	(116)	(7,799)	-	(7,915)
At 30 September 2006	-	10,666	260,044	-	270,710
Net book amount					
At 30 September 2006	49,500	74,726	169,482	1,469	295,177
At 30 September 2005	49,500	63,071	168,500	3,508	284,579

Notes (continued)

10 Property, plant and equipment (continued)

Included in property, plant and equipment are assets with an original cost of Shs 130,358,000 (2005: Shs 120,930,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 24,396,000 (2005: Shs 22,916,000).

Notes (continued)

10 Property, plant and equipment (continued)

Company

	Freehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Work in progress Shs'000	Total Shs'000
Cost					
At 1 October 2004	45,000	23,937	103,603	-	172,540
Additions	-	4,092	18,474	1,398	23,964
Disposals	-	-	(2,915)	-	(2,915)
At 30 September 2005	45,000	28,029	119,162	1,398	193,589
At 1 October 2005	45,000	28,029	119,162	1,398	193,589
Additions	-	-	14,323	1,747	16,070
Transfers	-	1,249	1,400	(2,649)	-
Disposals	-	-	(5,555)	-	(5,555)
At 30 September 2006	45,000	29,278	129,330	496	204,104
Depreciation					
At 1 October 2004	-	4,114	66,017	-	70,131
Charge for the year	-	479	11,179	-	11,658
On disposals	-	-	(2,695)	-	(2,695)
At 30 September 2005	-	4,593	74,501	-	79,094
At 1 October 2005	-	4,593	74,501	-	79,094
Charge for the year	-	664	12,369	-	13,033
On disposals	-	-	(4,736)	-	(4,736)
At 30 September 2006	-	5,257	82,134	-	87,391
Net book amount					
At 30 September 2006	45,000	24,021	47,196	496	116,713
At 30 September 2005	45,000	23,436	44,661	1,398	114,495

Included in property, plant and equipment are assets with an original cost of Shs 43,997,000 (2005:Shs 46,058,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 8,392,000 (2005:Shs 9,212,000).

In the opinion of the directors, there was no impairment of property, plant and equipment during the year.

Notes (continued)

11 Biological Assets

Sisal plants and nurseries

	Group		Company	
	2006	**2005**	**2006**	**2005**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Carrying amount at start of year	235,946	264,394	65,247	72,711
Loss arising from changes in fair value attributable to physical changes	(31,204)	(76,211)	(20,524)	(18,852)
Gain arising from changes in fair value attributable to price changes of sisal fibre	74,211	108,717	28,876	41,126
Gain/(loss) arising from changes in fair value attributable to changes in exchange rate	25,922	(44,098)	(6,635)	(29,738)
Net fair value gain/(loss)	68,929	(11,592)	1,717	(7,464)
Translation adjustment	(16,871)	(16,856)	-	-
Carrying amount at end of year	288,004	235,946	66,964	65,247

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

- Sisal plants will have an average productive life of 8 years.
- The expected market price of sisal fibre will remain constant based on the average price realised for the last 7 years.
- A discount rate of between 15% to 20% per annum is applied to the anticipated net cash flows arising from the asset. The costs of production and point of sale costs used in the calculation of future cash flows are based on the latest budgeted costs approved by the directors.
- Based on the biological transformation which sisal plants undergo, 42% of fair value is assigned to the regeneration of sisal leaf.

Notes (continued)

12 Prepaid operating lease rentals

	Group		Company	
	2006	2005	2006	2005
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	102,376	102,581	17,362	17,381
Amortisation	(118)	(121)	(18)	(19)
Translation adjustment	(64)	(84)	-	-
At end of year	102,194	102,376	17,344	17,362

The group holds various leasehold land titles which are amortised over the period of the lease, the remaining periods of which range from 55 years to over 900 years.

13 Investment in subsidiaries

	Company	
	2006	2005
	Shs'000	Shs'000
Shares in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	71,179	81,732
	205,354	215,907

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

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

The long term receivable is in respect of a loan due from Amboni Spinning Mill Limited. As settlement of this loan is not anticipated in the 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 included in reserves.

Notes (continued)

		Group		Company	
		2006	**2005**	**2006**	**2005**
		Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
14	**Inventories**				
	Sisal fibre at fair value	73,345	102,783	25,988	50,158
	Finished goods at cost	21,148	23,588	-	-
	Finished goods at net realisable value	7,500	11,468	-	-
	Stores and raw materials at cost less provision	103,517	139,373	14,048	16,654
		205,510	277,212	40,036	66,812
15	**Receivables and prepayments**				
	Trade receivables	11,788	12,135	3,235	2,402
	Prepayments	8,494	8,615	1,758	1,956
	Amounts due from related parties (Note 25)	68,866	74,787	19,507	21,057
	Amounts due from group companies	-	-	50,984	51,968
	VAT recoverable	54,283	33,876	23,903	15,034
	Other receivables	3,683	3,696	752	205
		147,114	133,109	100,139	92,622
16	**Cash and cash equivalents**				
	Cash at bank and in hand	9,677	10,474	7,336	6,037

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

	Group	
	2006	**2005**
	Shs'000	**Shs'000**
Cash and bank balances as above	9,677	10,474
Bank overdrafts (Note 18)	(105,904)	(102,802)
	(96,227)	(92,328)

Notes (continued)

17 Share capital

Authorised, issued and fully paid	**Number of shares (Thousands)**	**Ordinary shares Shs'000**
Balance at 1 October 2004, 1 October 2005 and 30 September 2006	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.

18 Borrowings

	Group		**Company**	
	2006 Shs'000	**2005 Shs'000**	**2006 Shs'000**	**2005 Shs'000**
Total borrowings	193,334	197,853	66,040	50,811
Less: current portion	(158,964)	(145,312)	(53,705)	(44,053)
Non-current portion	34,370	52,541	12,335	6,758

The borrowings are made up as follows:

Non-current				
Bank borrowings	34,370	52,541	12,335	6,758
Current				
Bank overdrafts	105,904	102,802	37,214	36,549
Bank borrowings	53,060	39,065	16,491	6,929
Lease liabilities	-	3,445	-	575
	158,964	145,312	53,705	44,053

Notes (continued)

18 Borrowing (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**
2006				
Bank overdrafts	71,288	12,231	22,385	105,904
Bank borrowings	54,966	32,464	-	87,430
	126,254	44,695	22,385	193,334
2005				
Bank overdrafts	43,650	19,725	39,427	102,802
Bank borrowings	54,291	36,762	553	91,606
Lease liabilities	2,895	550	-	3,445
	100,836	57,037	39,980	197,853

Company	**Borrowings in Kshs Shs'000**	**Borrowings in USD Shs'000**	**Total Shs'000**
2006			
Bank overdrafts	20,586	16,628	37,214
Bank borrowings	28,826	-	28,826
	49,412	16,628	66,040
2005			
Bank overdrafts	25,912	10,637	36,549
Bank borrowings	13,687	-	13,687
Lease liabilities	575	-	575
	40,174	10,637	50,811

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

Notes (continued)

18 Borrowings (continued)

	Group		Company	
	2006	**2005**	**2006**	**2005**
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	10.9%	10.4%	9.5%	9.5%
-bank borrowings – Kshs	10.2%	10.6%	9.5%	9.5%
-bank overdrafts – Tshs	13.0%	12.5%	-	-
-bank borrowings – Tshs	12.7%	12.5%	-	-
-bank overdrafts – US$	6.2%	5.6%	7.3%	5.9%
-bank borrowings – US$	-	5.9%	-	-
-lease liabilities	-	13.6%	-	12.1%

In the opinion of the directors, the carrying amounts of borrowings and lease obligations approximate to their fair value.

	Group		Company	
	2006	**2005**	**2006**	**2005**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Maturity of non-current borrowings				
Between 1 and 2 years	30,497	36,505	10,708	5,309
Between 2 and 5 years	3,873	16,036	1,627	1,449
	34,370	52,541	12,335	6,758

Notes (continued)

19 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2005: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	79,221	90,934	18,383	22,971
Income statement charge/(credit) (Note 7)	17,167	(5,426)	(9,300)	(4,588)
Translation adjustment	(6,403)	(6,287)	-	-
At end of year	89,985	79,221	9,083	18,383

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	Group		Company	
	2006	**2005**	**2006**	**2005**
Deferred tax assets	(1,892)	(705)	-	-
Deferred tax liabilities	91,877	79,926	9,083	18,383
	89,985	79,221	9,083	18,383

Notes (continued)

19 Deferred tax (continued)

Deferred tax assets/(liabilities) in the balance sheet and deferred tax charge/(credit) in the profit and loss account, are attributable to the following items:

Group	**1.10.2005**	**Charged/ (credited) to P/L**	**Translation adjustment**	**30.9.2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Deferred tax liabilities				
Property, plant and equipment	23,015	11,987	(2,014)	32,988
Biological assets	70,785	20,678	(5,061)	86,402
Agricultural produce	3,136	-	-	3,136
	96,936	32,665	(7,075)	122,526
Deferred tax assets				
Provisions	(14,655)	(16,671)	396	(30,930)
Tax losses carried forward	(3,060)	1,173	276	(1,611)
	(17,715)	(15,498)	672	(32,541)
Net deferred tax liability	79,221	17,167	(6,403)	89,985

Company

	1.10.2005	**Charged/ (credited) to P/L**	**30.9.2006**
	Shs'000	**Shs'000**	**Shs'000**
Deferred tax liabilities			
Property, plant and equipment	5,157	209	5,366
Biological assets	19,574	515	20,089
Agriculture produce	1,647	-	1,647
	26,378	724	27,102
Deferred tax assets			
Provisions	(7,995)	(8,607)	(16,602)
Tax losses	-	(1,417)	(1,417)
	(7,995)	(10,024)	(18,019)
Net deferred tax liability	18,383	(9,300)	9,083

Notes (continued)

20 Post employment benefit obligations

	Group		Company	
	2006	**2005**	**2006**	**2005**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Post employment benefit obligations comprise:				
(a) Staff retirement gratuity	42,069	34,898	23,396	19,991
(b) Defined benefit scheme liability	65	-	43	-
	42,134	34,898	23,439	19,991

(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	
	2006	**2005**	**2006**	**2005**
At start of year	34,898	32,702	19,991	18,148
Charged to profit and loss account	9,893	5,410	4,982	3,659
Utilised during year	(2,529)	(2,942)	(1,577)	(1,816)
Translation adjustment	(193)	(272)	-	-
At end of year	42,069	34,898	23,396	19,991

(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 2007.

The amount recognised in the balance sheet is determined as follows:

	2006	**2005**
	Shs'000	**Shs'000**
Present value of funded obligations	63,870	55,053
Fair value of scheme assets	(58,180)	(49,192)
Net under funding in funded plan	5,690	5,861
Unrecognised actuarial loss	(5,625)	(5,861)
Net liability in the balance sheet	65	-

Notes (continued)

20 Post employment benefit obligations (continued)

The amounts recognised in the profit and loss account are determined as follows:

	2006 Shs'000	2005 Shs'000
Current service cost net of employees' contributions	3,947	2,732
Interest on obligation	5,196	4,057
Expected return on plan assets	(4,695)	(3,863)
Net actuarial loss recognised in the year	466	1,551
Net charge for the year included in staff costs	4,914	4,477
Contributions paid	(4,849)	(4,477)
Movement in the liability recognised in the balance sheet	65	-

The principal actuarial assumptions used were as follows:

	2006	2005
- discount rate	9%	9%
- expected rate of return on scheme assets	9%	9%
- future salary increases	7%	7%
- future pension increases	0%	0%

The group also makes contributions to a statutory provident fund, the National Social Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 September 2006, the group contributed Shs 10,619,000 (2005:Shs 11,574,000) which has been charged to the profit and loss account.

21 Payables and accrued expenses

	Group		Company	
	2006 Shs'000	2005 Shs'000	2006 Shs'000	2005 Shs'000
Trade payables	38,161	38,655	10,587	8,032
Amounts due to related parties (Note 25)	11,202	17,288	486	521
Amounts due to group companies	-	-	1,597	11,873
Accrued expenses	32,223	28,115	11,064	13,611
Other payables	4,860	5,068	2,324	2,154
	86,446	89,126	26,058	36,191

Notes (continued)

22 Contingent liabilities

The group companies are defendants in various legal actions relating to industrial accidents. In the opinion of the directors, the outcome of such actions will not give rise to any significant losses as appropriate insurance is in place.

23 Commitments

Capital commitments

Commitments for capital expenditure at the balance sheet date which were not recognised in the financial statements were:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Authorised and contracted for	-	5,989	-	2,816

Operating lease commitments

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

	Group		Company	
	2006	**2005**	**2006**	**2005**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Not later than 1 year	5,345	4,782	2,680	2,359
Between 2 and 5 years	14,265	6,653	3,607	5,644
	19,610	11,435	6,287	8,003

Notes (continued)

24 Note to the cash flow statement

	2006 Shs'000	2005 Shs'000
Reconciliation of operating profit to cash generated from operations:		
Operating profit	184,428	216,754
Adjustments for:		
Depreciation (Note 10)	44,443	42,046
Fair value adjustment of biological assets (Note 11)	(68,929)	11,592
Amortisation of prepaid operating lease rentals (Note 12)	118	121
Profit on sale of property, plant and equipment	(1,769)	(575)
Net foreign exchange losses (Note 6)	(7,536)	(11,524)
Operating profit before working capital changes	150,755	258,414
Working capital changes:		
- receivables and prepayments	(20,763)	32,048
- inventories	50,893	(105,416)
- payables and accrued expenses	2,469	8,030
- provisions for liabilities and charges	7,429	2,468
Cash generated from operations	190,783	195,544

25 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.

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

Sales of sisal fibre and yarns to Wigglesworth & Co. 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.

Notes (continued)

25 Related party transactions (continued)

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

i) Sales of goods and services	**Group**	
	2006	**2005**
	Shs'000	**Shs'000**
Sisal fibre and yarns	1,016,313	991,481
Management services	924	924
Sale of vehicle to director	800	-
ii) Purchase of services		
Purchase of services	2,895	3,102
Interest	1,006	1,200
iii) Key management compensation		
Remuneration paid to directors and key management staff was as follows:		
Salaries and other benefits	40,198	38,781
iv) Outstanding balances		
Receivables	68,866	74,787
Payables	11,202	17,288

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

26 Country of incorporation

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

27 Currency

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

------000------