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information

Directors — The directors of the company are as follows:

Oliver Fowler — Chairman, aged 53, 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 50, 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 60, 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 Song — Aged 70, 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.

Aged 41, has been secretary to the board and director of legal affairs of East African Development Bank since early 2003. She was previously principal counsel of African Development Bank in Abidjan, Cote d'Ivoire.

Aged 51, 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.

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

2007/0033

Barclays Advisory and Registrar Services Limited,
Bank House, Moi Avenue,
P.O. Box 30120, Nairobi 00100

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

meeting

Notice is hereby given that the eleventh annual general meeting of the company will be held at Holiday Inn, Mayfair Court Hotel, Parklands Road, Nairobi on Friday 24 March 2006, 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 2005.

2. To approve the payment of a first and final dividend for the year ended 30 September 2005 of shs 0.80 per share payable on or about 16 June 2006 to shareholders registered at the close of business on 31 March 2006.

3. To elect directors:

i) Stephen Waruhiu, who was appointed to the Board on 1 July 2005, retires in accordance with Article 83 and, being eligible, offers himself for re-election.

ii) Musa Sang, having attained the age of 70 years, retires in accordance with Section 186 (2) of the Companies Act. In accordance with Section 186 (5) of the Companies Act, SPECIAL NOTICE is hereby given of the intention of the Board to propose the following resolution for the consideration of the members as an Ordinary Resolution of the company:

" That Musa Sang, having attained the age of 70 years, be and is hereby re-elected as a director of the company."

iii) Oliver Fowler retires by rotation and, being eligible, offers himself for re-election.

4. To approve the directors' remuneration for the year ending 30 September 2006.

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
10 January 2006

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.

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 appropriate internal control systems to safeguard the assets of the group and ensure the reliability of financial information.

Board of Directors

The composition of the board is given on page 2 of this report. Five out of the six 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 seek re-election once every three years.

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.

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 of 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.

governance (cont)

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.

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Employment and environmental practices

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. 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 2005 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.

governance

The ten largest shareholdings at the balance sheet date were:

Name	No of Shares	[illegible]
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	1.43%
J.B. Emmett	714,978	1.19%
Prime Securities Investments Trust	529,278	0.88%
Ogura Trading Company Limited	514,286	0.85%
R.M. Muchogu & A.M. Mwangi	500,000	0.83%
	41,561,351	**69.27%**
5,455 other shareholders	18,438,649	30.73%
	60,000,000	**100.00%**

Distribution of shareholders

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
Less than 500	1,185	248,334	0.41%
500-5,000	3,723	5,521,128	9.20%
5,001-10,000	260	1,883,620	3.14%
10,001-100,000	261	6,410,369	10.69%
100,001-1,000,000	31	7,495,117	12.49%
Above 1,000,000	5	38,441,432	64.07%
	5,465	60,000,000	[illegible]

statement

I am very pleased to be able to report that the group has had another good year and has achieved further significant increases in sisal fibre volumes. Total fibre volumes increased by 1,661 tonnes, or 11.7%, to 15,832 tonnes. Both Kenyan estates had record years in terms of volume of fibre produced with a total output of 11,280 tonnes which is 1,565 tonnes, or 16.1% above the previous year.

The Tanga spinning mill performed well and, despite increased operating costs, has returned an operating profit. During the latter part of the year the mill was very busy and worked to full capacity. Some additional machinery was installed in the mill during the year in order to increase capacity for the production of coarser yarns.

As a result of the increased volumes of sisal fibre produced and sold at remunerative prices, as well as increased volumes of yarn and ropes manufactured in the mill, turnover increased substantially for the second year in succession. Turnover for the period under review was Ksh 231 million, or 26.4% higher than the previous year at Ksh 1.1billion.

During the year the group has experienced some significant increases in operating costs in both Kenya and Tanzania. Labour wages continue to rise without, unfortunately, any increase in productivity and fuel and other input costs increased during the period. Fuel price increases resulting from higher world oil prices have been material.

The Kenya currency strengthened against the United States currency throughout 2005 and continues at a level that your board, and indeed most exporters, consider unrealistically strong.

Despite increases in employment costs, fuel and other inputs, as well as the unfavourable exchange rate, I am pleased to report that the increase in volumes produced have enabled the group to increase operating profits by 7.7% to Ksh 216.7 million and profit before tax by 4% to Ksh 185.1 million.

Although the group continues to be faced with an unfavourable exchange rate and increasing costs, your board recommends the payment of a first and final dividend of Ksh 0.80 per share.

Turning to the current year, fibre volumes have so far remained good and, provided the rains are within normal average expectations, can be expected to be sustained at close to current levels. Although the group is well sold, the sisal fibre market is presently showing some signs of resistance to current price levels. The Kenya shilling exchange rate remains a concern and there is a possibility that there will be increases in shipping freight rates from East African ports in 2006 which would have, to some extent, a negative impact upon our revenues.

Assuming the April rains are satisfactory enough to enable fibre volumes to be sustained at current levels and the effects of a strong Kenyan currency and increased freight costs are not too punitive, your board is confident that the group will continue to operate with a satisfactory degree of profitability.

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

OLIVER FOWLER
CHAIRMAN

operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2005 and crops are stated for the whole year ended on that date and referred to as the 2005 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	2,945
Immature sisal	1,264
Nurseries	62
Other areas	4,719
	8,990

Although total rainfall recorded at Dwa was slightly below average, distribution was fair and the estate was able to maximise harvesting of available leaf. Production of sisal fibre was 5,835 tonnes (2004 – 4,935 tonnes), a record for the estate.

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

Most of the planting at Dwa is carried out prior to the November rains, historically the more reliable in the area, but some planting is also carried out prior to the April rains. A total of 415 hectares was planted in October 2004 and 75 hectares in March 2005.

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	1,888
Immature sisal	634
Nurseries	53
Other areas	1,375

The investments made in recent years in soil improvements at Vipingo are now showing positive results and sisal fibre production was something of a record at 5,445 tonnes (2004 – 4,780 tonnes) with a continued improvement in the grade mix achieved.

Subject to normal climatic conditions prevailing, it is expected that Vipingo will continue to produce at a similar level during the current year.

Planting at Vipingo is carried out prior to the May rains and some 217 hectares was planted in 2005.

operations (cont)

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	2,120
Immature sisal	1,027
Nurseries	82
Other areas	7,641
	10,870

Sisal fibre production on the Tanzanian estates increased marginally to 4,552 tonnes (2004 – 4,456 tonnes).

With the completion of the installation of a second decorticator unit at Sakura estate and a good leaf availability, it is expected that production from this estate will increase during the current year, particularly if rainfall is adequately distributed.

Planting in Tanzania is generally carried out prior to the May rains and a total of 333 hectares was planted in 2005.

Amboni Spinning Mill Limited

The Tanga spinning mill, situated on the outskirts of Tanga, continues to move forward positively both operationally and commercially and, despite rising fibre prices, produced a useful return.

During the year investment was made in additional coarse yarn spinning capacity and, during the latter part of the year, this new capacity was fully utilised.

There are no immediate plans for further investment in additional capacity for the mill which is now well balanced and able to produce a broad cross-section of product in economic quantities.

Overall production from the mill was 2,588 tons (2004 – 2,081 tonnes).

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 through a related company, Wigglesworth & Co and this arrangement continued through the year to 30 September 2005. 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.

directors

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2005 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 2.

Principal activities

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

Results and dividend

The group net profit for the year of Shs 124,462,000 has been added to revenue reserves.

The directors recommend the payment of a first and final dividend amounting to Shs 48,000,000 (2004: Shs 48,000,000).

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 optians available in East Africa to hedge against such risks.

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	
S N Waruhiu	Kenyan	appointed 1 July 2005

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

By order of the Board

10 January 2006

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 the financial affairs of the group and the company as at the end of the financial year and of the group's operating results for that year. It also requires the directors to ensure the group companies keep proper accounting records which disclose with reasonable accuracy the financial position of the companies. They are also responsible for safeguarding the assets of the companies.

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 the requirements of 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 the company and the group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the 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**

10 January 2006

We have audited the financial statements on pages 13 to 42 for the year ended 30 September 2005 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.

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.

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.

In our opinion :

(a) proper books of accounts 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 the group at 30 September 2005 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

10 January 2006

account

	Notes	2005 Shs'000	2004 Shs'000
Turnover	2	**1,104,363**	**873,408**
Fair value of sisal leaf harvested		429,188	327,553
Sisal leaf processing income		391,588	313,991
(Loss)/gain arising from changes in fair value of biological assets	11	(11,592)	51,413
Income from sisal cultivation	3	809,184	692,957
Income from manufacture and services		237,614	198,753
Operating income		**1,046,798**	**891,710**
Cost of sales		(539,464)	(452,061)
Gross Profit		**507,334**	**439,649**
Other operating income		5,133	8,353
Distribution costs		(50,799)	(43,707)
Administrative expenses		(241,444)	(199,137)
Other operating expenses		(3,470)	(3,856)
Operating profit	4	**216,754**	**201,302**
Finance costs – net	6	(31,615)	(23,361)
Profit before tax		**185,139**	**177,941**
Tax	7	(60,677)	(49,275)
Net profit for the year		**124,462**	**128,666**
Earnings per share basic and diluted	8	Shs 2.07	Shs 2.14
Proposed dividend per share	9	Shs 0.80	Shs 0.80

Property, plant and equipment	10	284,579	265,039
Biological assets	11	235,946	264,394
Prepaid operating lease rentals	12	102,376	102,581
Deferred tax assets	19	705	541
Inventories	14	277,212	192,969
Receivables and prepayments	15	133,109	175,015
Tax recoverable		826	19,937
Cash and cash equivalents	16	10,474	8,185
Share capital	17	300,000	300,000
Share premium		84,496	84,496
Translation reserve		(58,045)	(25,015)
Revenue reserve		244,788	168,326
Proposed dividend	9	48,000	48,000
Borrowings	18	68,159	78,003
Deferred tax liabilities	19	79,926	91,475
Provisions for liabilities and charges	20	34,898	32,702
Payables and accrued expenses	21	73,508	69,623
Tax payable		24,185	1,605
Borrowings	18	145,312	179,446

The financial statements on pages 13 to 42 were approved by the board of directors on 10 January 2006 and signed on its behalf by:

Director

Director

Property, plant and equipment	10	114,495	102,409
Biological assets	11	65,247	72,711
Prepaid operating lease rentals	12	17,362	17,381
Investment in subsidiaries	13	215,907	229,842
		[illegible]	[illegible]
Inventories	14	66,812	40,900
Receivables and prepayments	15	92,622	105,478
Tax recoverable		307	16,632
Cash and cash equivalents	16	6,037	5,009
		[illegible]	[illegible]
		[illegible]	[illegible]
Share capital	17	300,000	300,000
Share premium		84,496	84,496
Translation reserve		(13,935)	-
Revenue reserve		34,852	10,269
Proposed dividend	9	48,000	48,000
		[illegible]	[illegible]
Borrowings	18	6,758	4,014
Deferred tax liabilities	19	18,383	22,971
Provisions for liabilities and charges	20	19,991	18,148
Payables and accrued expenses	21	36,191	37,310
Borrowings	18	44,053	65,154

The financial statements on pages 13 to 42 were approved by the board of directors on 10 January 2006 and signed on its behalf by:

Director Director

equity

	Share capital Shs'000	Share premium Shs'000	Translation reserve Shs'000	[illegible] Shs'000	Proposed dividends Shs'000	[illegible]
Year ended						
30 September 2004						
At start of year	300,000	84,496	(31,425)	87,660	24,000	464,731
Foreign exchange translation	-	-	6,410	-	-	6,410
Net profit for the year	-	-	-	128,666	-	128,666
Dividends						
-paid for 2003	-	-	-	-	(24,000)	(24,000)
-proposed for 2004	-	-	-	(48,000)	48,000	-
At end of year	**300,000**	**84,496**	**(25,015)**	**168,326**	**48,000**	**575,807**
Year ended						
30 September 2005						
At start of year	300,000	84,496	(25,015)	168,326	48,000	575,807
Foreign exchange translation	-	-	(33,030)	-	-	(33,030)
Net profit for the year	-	-	-	124,462	-	124,462
Dividends						
-paid for 2004	-	-	-	-	(48,000)	(48,000)
-proposed for 2005	-	-	-	(48,000)	48,000	-

equity

	Share capital Shs'000	Share premium Shs'000	Translation reserve Shs'000	Revenue reserve Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 30 September 2004						
At start of year	300,000	84,496	-	30,371	24,000	438,867
Net profit for the year	-	-	-	27,898	-	27,898
Dividends						
-paid for 2003	-	-	-	-	(24,000)	(24,000)
-proposed for 2004	-	-	-	(48,000)	48,000	-
As end of year	**300,000**	**84,496**	**-**	**10,269**	**48,000**	**442,765**
Year ended 30 September 2005						
At start of year	300,000	84,496	-	10,269	48,000	442,765
Foreign exchange translation on long term loan to subsidiary	-	-	(13,935)	-	-	(13,935)
Net profit for the year	-	-	-	72,583	-	72,583
Dividends						
-paid for 2004	-	-	-	-	(48,000)	(48,000)
-proposed for 2005	-	-	-	(48,000)	48,000	-
At end of year	**300,000**	**84,496**	**(13,935)**	**34,852**	**48,000**	**453,413**

statement

	Notes	2005 Shs'000	2004 Shs'000
Operating activities			
Cash generated from operations	25	195,544	115,261
Interest received		14	10
Interest paid		(20,105)	(18,384)
Tax paid		(24,610)	(6,201)
Net cash generated from operating activities		**150,843**	**90,686**
Investing activities			
Purchase of property, plant and equipment		(76,580)	(51,918)
Proceeds from disposals of property, plant and equipment		795	3,418
Net cash used in investing activities		**(75,785)**	**(48,500)**
Financing activities			
Proceeds from long-term borrowings		43,847	80,886
Repayment of long-term borrowings		32,448	(97,015)
Finance lease principal payments		(11,927)	(19,513)
Dividend paid		(48,000)	(24,000)
[illegible]		[illegible]	[illegible]
[illegible]		26,530	(17,456)
At start of year	16	(131,508)	(113,720)
Effects of exchange rate changes		12,650	(332)

statements

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:

Basis of preparation

The financial statements are prepared under the historical cost convention except for those assets stated in accordance with the fair value principals of IAS 41.

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 the directors' best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

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.

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

statements(cont)

Accounting policies (continued)

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 of 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.

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 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 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.

statements(cont)

Accounting policies (continued)

Impairment

At each balance sheet date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Accounting for leases

Leases of property, plant and equipment where the group assumes substantially all the benefits and risks of ownership are classified as finance 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.

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a 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.

statements(cont)

Accounting policies (continued)

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 are recognised over the average remaining service lives of 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. 0The group's contributions are charged to the income statement in the year to which they relate.

Employee entitlements

Employee entitlements to retirement gratuities are recognised when they accrue to employees. A provision is made for the estimated liability for retirement gratuities as a result of services rendered by employees up to the balance sheet date.

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

[illegible]

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.

statements(cont)

Accounting policies (continued)

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 differences between the net disposal proceeds and the carrying amount, and the 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.

CMA - LIBRARY

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 an accrual 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.

Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

Comparatives

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

statements(cont)

3. 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 & services	Total
	Shs'000	Shs'000	Shs'000
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
Year ended 30 September 2004			
Sales revenue	674,655	198,753	873,408
Operating profit	188,552	12,750	201,302
Segment assets	917,708	110,953	1,028,661
Segment liabilities	425,273	27,581	452,854

[illegible] segments

The group operations consist of two main geographical segments:

- Kenya
- Tanzania

	[illegible]	[illegible]	[illegible]
[illegible] 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
Year ended 30 September 2004			
Sales revenue	507,249	366,159	873,408
Operating profit	111,949	89,353	201,302
Segment assets	639,493	389,168	1,028,661
Segment liabilities	313,287	139,567	452,854

statements(cont)

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

	Group 2005 Shs'000	Group 2004 Shs'000
Revenue from sale of sisal fibre	866,749	674,655
Fair value adjustment of biological assets	(11,592)	51,413
Net increase in actual costs of biological assets	(70,710)	(64,090)
Net increase in sisal fibre stocks at fair value	24,737	30,979
Operating income in respect of sisal cultivation	**809,184**	**692,957**

4 Operating profit

The operating profit is arrived at after charging:

	Group 2005 Shs'000	Group 2004 Shs'000
Depreciation on property, plant and equipment (Note 10)	42,046	40,083
Amortisation of leasehold land (Note 12)	121	122
Operating lease rentals	6,542	5,253
Staff costs (Note 5)	308,976	264,330
Auditors' remuneration	3,032	2,960
Directors' remuneration -fees	726	444
-for management	15,861	11,914
and after crediting:		
Profit on disposal of property, plant and equipment	(575)	(2,153)

5 Staff costs

Salaries and wages	270,678	232,894
Social security costs	11,574	10,734
Pension contributions –defined benefit scheme	4,477	3,662
Gratuity and other terminal benefits	8,820	6,584
Medical	13,427	10,456
	308,976	264,330

The number of persons employed by the group at the year end was 2,673 (2004: 2,500).

statements(cont)

6 Finance costs – net

	Group	
	2005	2004
	Shs'000	Shs'000
Interest income	(11)	(10)
Net foreign exchange losses	11,524	4,987
Interest expense	20,102	18,384
	31,615	**23,361**

7 Tax

Current tax	66,103	5,871
Deferred tax (credit)/charge (Note 19)	(5,426)	43,404
	60,677	49,275

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

Profit before tax	185,139	177,941
Tax effect of:		
Income not subject to tax	-	(132)
Expenses not deductible for tax purposes	5,130	2,389
(Overprovision) of deferred tax in prior year	(4,385)	-
Underprovision of current tax in prior year	4,473	66
Realised exchange losses	-	(6,373)

statements(cont)

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	
	2005	**2004**
Net profit (Shs '000)	124,462	128,666
Weighted average number of ordinary shares (thousands)	60,000	60,000
Basic earnings per share (Shs)	2.07	2.14

There were no potentially dilutive ordinary shares outstanding at 30 September 2005 or 30 September 2004. Diluted earnings per share is therefore the same as basic earnings per share.

9 Dividends

Proposed dividends are accounted for as a separate component of equity until they have been ratified at a general meeting. At the annual general meeting to be held on 24 March 2006, a first and final dividend in respect of the year ended 30 September 2005 of Shs 0.80 (2004: Shs 0.80) per share amounting to a total of Shs 48,000,000 (2004: 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.

statements

[illegible] equipment

	[illegible] land	[illegible]	[illegible]	[illegible]	[illegible]
At start of year	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 start of year	-	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)

Included in property, plant and equipment are assets with an original cost of Shs 120,930,000 (2004: Shs 86,780,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 22,916,000 (2004: Shs 15,900,000).

Additions include Shs nil (2004: Shs 7,549,000) of assets leased under finance leases. Leased assets included above, comprise plant and machinery as follows:

Cost – capitalised finance leases	18,190	41,742
Accumulated depreciation	(6,925)	(8,924)

statements(cont)

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 start of year	45,000	23,937	103,603	-	172,540
Additions	-	4,092	18,474	1,398	23,964
Disposals	-	-	(2,915)	-	(2,915)
At end of year	**45,000**	**28,029**	**119,162**	**1,398**	**193,589**
Depreciation					
At start of year	-	4,114	66,017	-	70,131
Charge for the year	-	479	11,179	-	11,658
On disposals	-	-	(2,695)	-	(2,695)
At end of year	-	4,593	74,501	-	79,094
Net book amount					
At 30 September 2005	**45,000**	**23,436**	**44,661**	**1,398**	**114,495**
At 30 September 2004	**45,000**	**19,823**	**37,586**	**-**	**102,409**

Included in property, plant and equipment are assets with an original cost of Shs 46,058,000 (2004:Shs 35,402,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 9,212,000 (2004:Shs 7,080,000).

Additions include Shs nil (2004:Shs 2,962,000) of assets leased under finance leases. Leased assets included above, comprise plant and machinery as follows:

	2005 Shs'000	2004 Shs'000
Cost – capitalised finance leases	4,799	13,040
Accumulated depreciation	(1,785)	(2,473)
Net book amount	[illegible]	[illegible]

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

(Loss)/gain arising from changes in fair value attributable to physical changes	(76,211)	(18,600)	(18,852)	1,772
Gain arising from changes in fair value attributable to price changes of sisal fibre	108,717	46,392	41,126	6,068
(Loss)/gain arising from changes in fair value attributable to changes in exchange rate	(44,098)	23,621	(29,738)	9,209

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.

At beginning of year	102,581	102,693	17,381	17,400
Amortisation	(121)	(122)	(19)	(19)
Translation adjustment	(84)	(10)	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The group holds various leasehold land titles which are amortised over the period of the lease, the remaining periods of which range from 56 years to over 900 years.

Shares in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	81,732	95,667
	[illegible]	[illegible]

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

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.

statements(cont)

	Group		Company	
	2005	2004	2005	2004
	Shs'000	Shs'000	Shs'000	Shs'000
14 Inventories				
Sisal fibre at fair value	102,783	81,858	50,158	30,455
Finished goods at cost	23,588	10,410	-	-
Finished goods at net realisable value	11,468	7,090	-	-
Stores and raw materials at cost less provision	139,373	93,611	16,654	10,445
	277,212	192,969	66,812	40,900
15 Receivables and prepayments				
Trade receivables	12,135	7,823	2,402	330
Prepayments	8,615	21,764	1,956	3,553
Amounts due from related parties (Note 26)	74,787	94,500	21,057	38,022
Amounts due from group companies	-	-	51,968	44,553
VAT refunds	33,876	48,160	15,034	18,812
Other receivables	3,696	2,768	205	208
Cash at bank and in hand	10,474	8,185	6,037	5,009

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

Cash and bank balances as above	10,474	8,185
Bank overdrafts (Note 18)	(102,802)	(139,693)

statements(cont)

17 Share capital

Authorised, issued and fully paid	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 October 2003, 1 October 2004 and 30 September 2005	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 2005 Shs'000	Group 2004 Shs'000	Company 2005 Shs'000	Company 2004 Shs'000
Total borrowings	213,471	257,449	50,811	69,168
Less: current portion	(145,312)	(179,446)	(44,053)	(65,154)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The borrowings are made up as follows:

[illegible]	Group 2005 Shs'000	Group 2004 Shs'000	Company 2005 Shs'000	Company 2004 Shs'000
Bank borrowings	52,541	56,833	6,758	3,439
Related companies (Note 26)	15,618	17,635	-	-
Lease liabilities	-	3,535	-	575

[illegible]	Group 2005 Shs'000	Group 2004 Shs'000	Company 2005 Shs'000	Company 2004 Shs'000
Bank overdrafts	102,802	139,693	36,549	54,579
Bank borrowings	39,065	27,587	6,929	4,540
Lease liabilities	3,445	12,166	575	6,035

Analysis of borrowings by currency

Bank overdrafts	43,650	19,725	39,427	-	102,B02
Bank borrowings	54,291	36,762	553	-	91,606
Lease liabilities	2,895	550	-	-	3,445
Related parties	-	-	-	15,618	15,618

Bank overdrafts	71,117	17,557	51,019	-	139,693
Bank borrowings	63,037	18,957	2,426	-	84,420
Lease liabilities	12,300	3,401	-	-	15,701
Related parties	-	-	-	17,635	17,635

Bank overdrafts	25,912	10,637	36,549
Bank borrowings	13,687	-	13,687
Lease liabilities	575	-	575

Bank overdrafts	24,549	30,030	54,579
Bank borrowings	7,979	-	7,979
Lease liabilities	6,610	-	6,610

The borrowings include secured liabilities (lease liabilities and bank borrowings) in a total amount of Shs 197,228,000 (2004: Shs 240,954,000). The bank borrowings are secured by first legal charges and debentures over certain of the group's immovable properties and other assets. Lease liabilities are effectively secured on the assets acquired.

statements(cont)

18 Borrowings (continued)

	Group		Company	
	2005	**2004**	**2005**	**2004**
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	10.4%	6.5%	9.5%	7.0%
-bank borrowings – Kshs	10.6%	8.2%	9.5%	10.2%
-bank overdrafts – Tshs	12.5%	11.5%	-	-
-bank borrowings – Tshs	12.5%	11.5%	-	-
-bank overdrafts – US$	5.6%	4.2%	5.9%	3.8%
-bank borrowings – US$	5.9%	3.8%	-	-
-lease liabilities	13.6%	14.0%	12.1%	13.1%
-related parties - GBP	7.0%	7.0%	-	-

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

	Group		Company	
	2005	2004	2005	2004
	Shs'000	Shs'000	Shs'00	Shs'000
Maturity of non-current borrowings (excluding finance lease liabilities):				
Between 1 and 2 years	36,505	22,914	5,309	2,665
Between 2 and 5 years	16,036	33,919	1,449	774
Unspecified	15,618	17,635	-	-
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	3,625	13,415	589	6,467
Later than 1 year and not later than 5 years	-	3,715	-	589
	3,625	17,130	589	7,056
Future finance charges on leases	(180)	(1,429)	(14)	(446)
Representing lease liabilities:				
- current	3,445	12,166	575	6,035
- non-current	-	3,535	-	575

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2004: 30%). The movement on the deferred tax account is as follows:

At start of year	90,934	46,130	22,971	10,139
Income statement (credit)/charge (Note 7)	(5,426)	43,404	(4,588)	12,832
Translation adjustment	(6,287)	1,400	-	-

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

Deferred tax assets	(705)	(541)	-	-
Deferred tax liabilities	79,926	91,475	18,383	22,971

statements(cont)

19 Deferred tax (continued)

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

Group	**1.10.2004**	**Charged/ (credited) to P/L**	**Translation adjustment**	**30.9.2005**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Deferred tax liabilities				
Property, plant and equipment	104,549	10,450	(6,427)	108,572
Agricultural produce	7,416	(4,280)	-	3,136
	111,965	**6,170**	**(6,427)**	**111,708**
Deferred tax assets				
Provisions	(13,371)	(1,463)	179	(14,655)
Biological assets	(994)	(12,954)	(824)	(14,772)
Tax losses carried forward	(6,666)	2,821	785	(3,060)
	(21,031)	(11,596)	140	(32,487)
Net de[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Property, plant and equipment	28,255	3,133	31,388
Agriculture produce	3,851	(2,204)	1,647
	32,106	929	33,035
Provisions	(7,123)	(872)	(7,995)
Biological assets	(2,012)	(4,645)	(6,657)
	(9,135)	(5,517)	(14,652)
[illegible]		[illegible]	

At start of year	32,702	27,968	18,148	15,541
Charged to profit and loss account	5,410	6,192	3,659	3,239
Utilised during year	(2,942)	(1,489)	(1,816)	(632)
Translation adjustment	(272)	31	-	-

Retirement gratuity is awarded to unionised employees after the completion of two years of service and is paid on termination of such services or retirement.

Trade payables	38,655	39,435	8,032	7,554
Amounts due to related parties (Note 26)	1,670	1,473	521	919
Amounts due to group companies	-	-	11,873	17,175
Accrued expenses	28,115	22,973	13,611	9,828
Current VAT	-	190	-	-
Other payables	5,068	5,552	2,154	1,834

statements(cont)

22 Retirement benefit obligations

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:

	2005 Shs'000	2004 Shs'000
Present value of funded obligations	55,053	42,962
Fair value of scheme assets	(48,017)	(40,184)
Net under funding in pension scheme	7,036	2,778
Unrecognised actuarial losses	(7,036)	(2,778)
Liability/asset in the balance sheet	-	-

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

	2005 Shs'000	2004 Shs'000
Current service cost	2,732	2,390
Interest cost	4,057	3,252
Expected return on plan assets	(3,863)	(3,011)
Net actuarial losses recognised in the year	1,551	1,031
Net charge for the year included in staff costs	4,477	3,662
Contributions paid	(4,477)	(3,662)
Movement in the liability/asset recognised in the balance sheet	-	-

The principal actuarial assumptions used were as follows:

	2005	2004
- 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 Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 September 2005, the group contributed Shs 11,574,000 (2004: Shs 10,734,000) which has been charged to the profit and loss account.

statements

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.

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

The company intends to finance these commitments through internally generated funds and term loans.

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

Not later than 1 year	4,782	4,216	2,359	1,792
Between 2 and 5 years	6,653	9,458	5,644	6,026
Later than 5 years	-	811	-	811

statements(cont)

25 Cash generated from operations

	2005 Shs'000	2004 Shs'000
Reconciliation of operating profit to cash generated from operations:		
Operating profit	216,754	201,302
Adjustments for:		
Depreciation (Note 10)	42,046	40,083
Fair value adjustment of biological assets (Note 11)	11,592	(51,413)
Amortisation of prepaid operating lease rentals (Note 12)	121	122
Profit on sale of property, plant and equipment	(575)	(2,153)
Net foreign exchange losses (Note 6)	(11,524)	(4,987)
Operating profit before working capital changes	**258,414**	**182,954**
Working capital changes:		
- receivables and prepayments	32,048	(49,201)
- inventories	(105,416)	(32,133)
- payables and accrued expenses	8,030	(8,938)
- provisions for liabilities and charges	2,468	4,703
Cash generated from operations	**195,544**	**115,261**

26 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.

statements(cont)

26 Related party transactions (continued)

The following transactions were carried out with related parties:

i) Sales of goods and services

	Group	
	2005	2004
	Sh'000	Sh'000
Sisal fibre and yarns	[illegible]	[illegible]
Management services	924	[illegible]

Purchase of services

Purchase of services	[illegible]	[illegible]
Interest	[illegible]	[illegible]

Outstanding balances

Non-current borrowings	[illegible]	[illegible]
Receivables	[illegible]	[illegible]
Payables	[illegible]	[illegible]

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

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

proxy

Plantations

I/We ______________________________

of ______________________________

being a Member/members of the above named company, hereby appoint ______________

or failing him Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Copany to be held on the 24th of March 2006 and at any adjournment thereof.

Unless otherwise instructed, the proxy will vote as he thinks fit.

Signature ______________________ Date ______________ 2006

This form is to be used in favour of/against the resolutions. Unless otherwise instruced the proxy will vote as he thinks fit.

* Strike out whichever is not desired.

Notes:

1. To be valid this proxy must be returned to The Secretary, Rea Vipingo Plantations Ltd, Madison Insurance House, Upper Hill Road, P.O.Box 17648, Nairobi - 00500 so as to arrive no later than 10:00am on Thursday 23rd March 2006.
2. In case of a corporation this proxy must be under its common seal or under the hand of an officer duly authorised in writing.

First Fold

Second Fold

The Secretary
REA Vipingo Plantations Limited
P.O.Box 17648
Nairobi - 00500
Kenya

Third fold and tuck in edge

First Fold