REA VIPINGO PLANTATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

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Company Information

Directors	The directors of the company are as follows:
Oliver Fowler	*Chairman,* non-executive, aged 55, 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 52, has been managing director since 2000 having previously been group general manager. He has had overall responsibility for the Kenya estates since the formation of the company and has worked for the REA group in Kenya since 1979.
Richard Robinow	Non-executive, aged 62, 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	Independent non-executive, aged 72, 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	Independent non-executive, aged 53, 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 27 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 thirteenth annual general meeting of the company will be held at Holiday Inn, Mayfair Court Hotel, Parklands Road, Nairobi on Friday 14 March 2008, at 10.00 a.m. for the following purposes:

1. Introduction

As ordinary business:

2. To receive and consider the company's annual report and financial statements for the year ended 30 September 2007.

3. To approve the payment of a first and final dividend for the year ended 30 September 2007 of shs 0.80 per share payable on or about 30 May 2008 to shareholders registered at the close of business on 14 March 2008.

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

5. To approve the directors' remuneration for the year ending 30 September 2008.

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

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

By order of the board

I R HODSON
Secretary
7 January 2008

Note:

Election of directors
Article 82E states as follows:

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

Corporate governance

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 group. 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 group to the Managing Director and senior personnel. The principal responsibilities of the directors are to define the mission and strategy of the group and to ensure that the group complies with statutory and regulatory requirements and 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 Stephen Waruhiu. Its principal responsibilities include reviewing of financial and other reports, agreeing the scope of the audit and subsequently reviewing the results of the audit, ensuring the independence of the auditors and reviewing the audit fee. The audit committee normally holds two formal meetings in each year, to which the auditor is invited. In addition, the committee consults by electronic means as may be necessary.

The Audit Committee has recently appointed an independent organisation to appraise the systems of internal control within the group.

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

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

During the year the number of shareholders increased from 5,841 at 30 September 2006 to 6,720 at 30 September 2007. This represents a 15% increase.

In the early part of 2007, the group launched its own website, www.reavipingo.com. Annual and half yearly reports are available on the website, together with general information about the operations of the group.

Directors' emoluments and loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year are disclosed in Note 5 to the financial statements. Remuneration to non-executive directors is approved by members at the annual general meeting. There were no directors' loans at any time during the financial year.

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

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

Employment and environmental practices

The group has in place a variety of training programmes, both in-house and from external sources, to cater for all grades of staff. The group strives to ensure that, wherever possible, there is a clear plan of succession at managerial and supervisory levels.

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, with 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 audits undertaken by an independent expert.

Corporate governance (continued)

Corporate social responsibility

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

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

The group also assists community schools outside of our estates, but within the vicinity in which we operate, usually by way of assistance with the building of facilities and infrastructure.

All estates within the group have medical facilities for employees and their immediate dependants and on the larger estates these facilities include ward beds and laboratories. All medical facilities are manned by suitably qualified professionals and are stocked with a wide range of drugs. In the past year the group has also upgraded some critical facilities at a government health centre in Mwera in Tanzania.

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

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

Corporate governance (continued)

Directors' interest

The interest of the directors in the shares of the company at 30 September 2007 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%
REA Trading Limited	12,346,109	20.57%
Dyer & Blair Investment Bank Limited	1,762,300	2.94%
N.R. Cuthbert	1,375,292	2.29%
V.N. Morjaria	861,377	1.44%
Aly-Khan Satchu	811,400	1.35%
J.B. Emmett	572,678	0.95%
Prime Securities Investments Trust	529,278	0.88%
Ogura Trading Company Limited	514,286	0.86%
DSL Nominees Limited – Account 2210	495,899	0.83%
	41,149,364	68.58%
6,710 other shareholders	18,850,636	31.42%
	60,000,000	100.00%

Distribution schedule

Shareholding (Number of shares)	**Number of Shareholders**	**Number of shares held**	**Percentage**
Less than 500	2,468	481,736	0.80%
500-5,000	3,684	5,729,843	9.58%
5,001-10,000	273	2,031,434	3.39%
10,001-100,000	257	6,015,187	10.00%
100,001-1,000,000	34	8,377,354	13.96%
Above 1,000,000	4	37,364,446	62.27%
	6,720	60,000,000	100.00%

Shareholder profile

Kenyan individual shareholders	6,097	19,929,865	33.22%
Kenyan institutional shareholders	534	4,765,440	7.94%
East African individual shareholders	29	80,116	0.13%
East African institutional shareholders	1	86	0.01%
Foreign individual shareholders	55	259,553	0.43%
Foreign institutional shareholders	4	34,964,940	58.27
	6,720	60,000,000	100.00%

Chairman's statement

I am very pleased to be able to report that, despite a very strong Kenya shilling, the company has had another good year.

Total group sisal fibre production increased over the previous year by 5.2% to 17,138 tonnes and has now increased by 28.5% over the past five years. During this same period, we have also achieved similarly impressive increases in the quantity of higher grade fibre produced.

The Tanga spinning mill was busy throughout the year with good sales into both the local and export markets and overall production of spun product was 3,043 tonnes. During the year the mill experienced substantial increases in costs, most notably sisal fibre, labour and oil but, despite this, has produced a satisfactory contribution.

Sisal fibre prices, in dollar terms, increased substantially during the year but, unfortunately, the strengthening of the Kenya shilling has negated most of the gains made. However, despite the unfavourable exchange rate, turnover increased by 4.40% to Shs 1.23 billion.

During the year the group continued to experience increases in operating expenses and particularly in Tanzania where labour wages increased substantially at the end of the third quarter. Further wage increases will take effect in Tanzania from January 2008 and increases in power tariffs are also expected in 2008.

Despite the major impact of the strengthening of the Kenya shilling, and increases in labour and other costs, we have, thanks to increased volumes and the higher dollar prices for fibre, managed to improve profitability. Operating profit increased by Shs 12.70 million to Shs 197.11 million and profit before tax increased by 6.63% over the previous year to Shs 167.78 million.

Wage negotiations with the Kenya Plantations and Agricultural Workers Union for a new collective bargaining agreement have recently been concluded and will result in an unwelcome further increase in labour costs. A further concern to the board is the cost, and other implications, of the new labour laws which are expected to be implemented in Kenya in early 2008.

Although we are, at the time of writing, faced with an even more unfavourable exchange rate situation in Kenya as well as a much stronger Tanzanian shilling, and are faced with 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, I regret to report that the "short" rains have been below expectations, particularly at the coast, and we do expect this to have a negative impact upon our fibre volumes. 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 exchange rates in both Kenya and Tanzania, and the generally weak US Dollar, remain a major concern and it is to be hoped that there will be no further strengthening of the local currencies.

Margins for spun product from the Tanga spinning mill are likely to continue to be tight whilst fibre prices remain high and the Tanzanian shilling strong.

Although the November rains have been below expectations, it is to be hoped that the April rains will be satisfactory enough to enable fibre volumes to recover to some extent during the second half of the year. Whilst the fundamentals of the business are very sound, the exchange rate in both Kenya and Tanzania will, to a very large degree, determine the level of profitability achieved during the current year.

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
7 January 2008

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2007 and crops are stated for the whole year ended on that date and referred to as the 2007 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	2,873
Older sisal	560
Immature sisal	1,432
Nurseries	113
Other areas	4,012
	8,990

Although total rainfall recorded at Dwa during the year was below average, the estate experienced a reasonable distribution during the early part of the financial period with the result that the estate generally had a good leaf position throughout. Improved efficiences resulted in the estate being able to maximise upon the leaf position and achieve a record volume of fibre at 6,318 tonnes (2006 – 5,925 tonnes).

Provided the estate receives a reasonable distribution of rainfall during the current year, sisal fibre production can be expected to be close to what has been 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 523 hectares were planted in 2007.

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	1,778
Older sisal	825
Immature sisal	660
Nurseries	90
Other areas	597
	3,950

Vipingo experienced one of the wettest years on record as a result of extremely heavy rains in April and May and, apart from some disruptions caused by the very heavy rain, produced well throughout the year. Total fibre production was the highest recorded since the formation of the company at 5,529 tonnes (2006 – 5,181 tonnes).

The estate has, however, had very little rain during the second half of 2007 and the short rains appear to have failed. Production has, therefore, had to be scaled back which will result in output from the estate being lower during the current year than has been achieved in recent years.

Planting at Vipingo is carried out prior to the May rains and some 242 hectares were planted in 2007.

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	2,337
Older sisal	1,223
Immature sisal	1,167
Nurseries	64
Other areas	6,079
	10,870

The Tanzanian estates recorded good rainfall and excellent distribution during the year and have, as a result, a good leaf position. A shortage of labour during the middle part of the year did slow down operations to some degree but overall production was satisfactory at 5,290 tonnes (2006 – 5,173 tonnes).

The estates continue to have a healthy leaf position and, with an improved labour availability, can be expected to further increase fibre volumes during the current year.

Planting on the Tanzanian estates is mainly carried out prior to the May rains and a total of 383 hectares was planted in 2006/2007.

Amboni Spinning Mill Limited

The Tanga spinning mill, situated on the outskirts of Tanga town had a good year with a total production of 3,043 tonnes (2006 - 2,786 tonnes) of spun products. The increase in volume was achieved as a result of continued good orders for coarser yarns from both the local and export markets, as well as satisfactory export rope orders.

Despite substantial increases in fibre prices and labour wages, as well as other cost increases, the mill produced a reasonable return for the year. During the current year the Tanzanian shilling has strengthened and further increases in operating expenses are expected with the result that margins that have already tightened, may contract further.

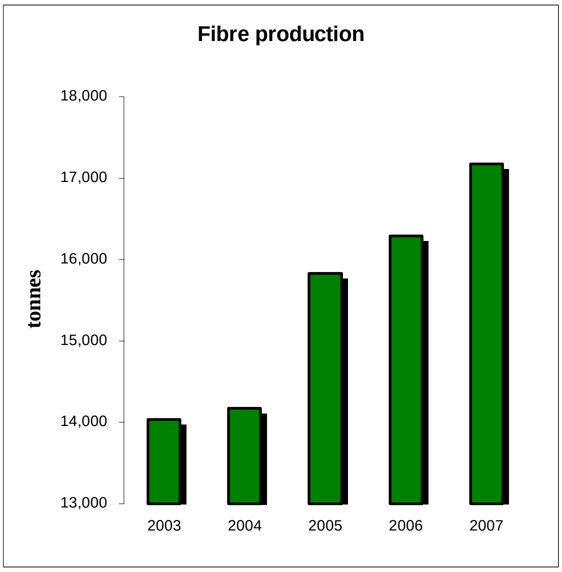
Marketing

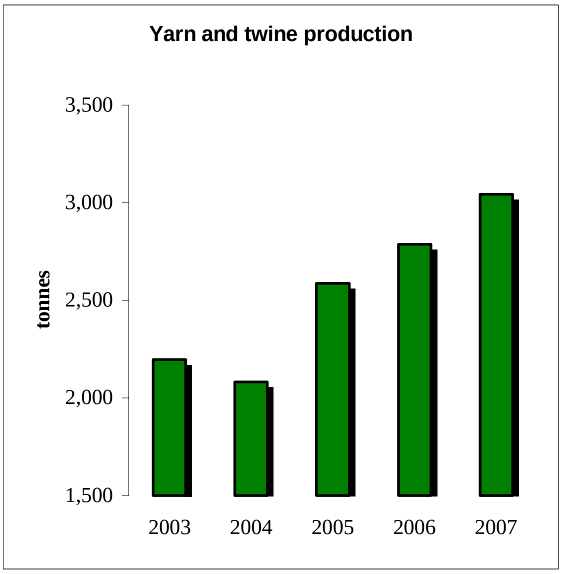
Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Co, and this arrangement continued through the year to 30 September 2007. Wigglesworth & Co, which is a leading international sisal 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.

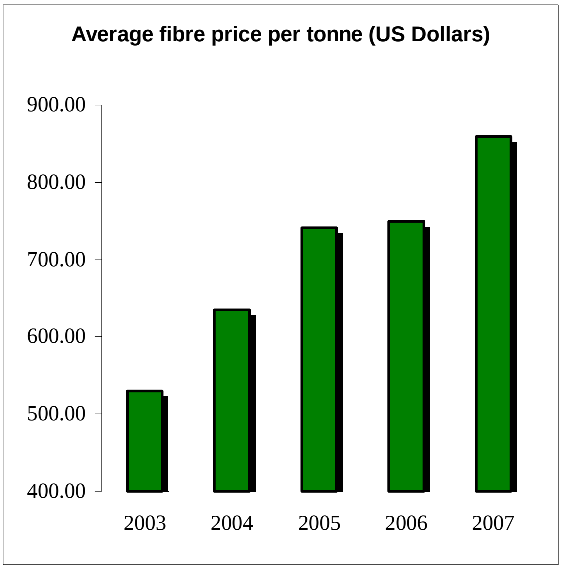
Review of operations (continued)

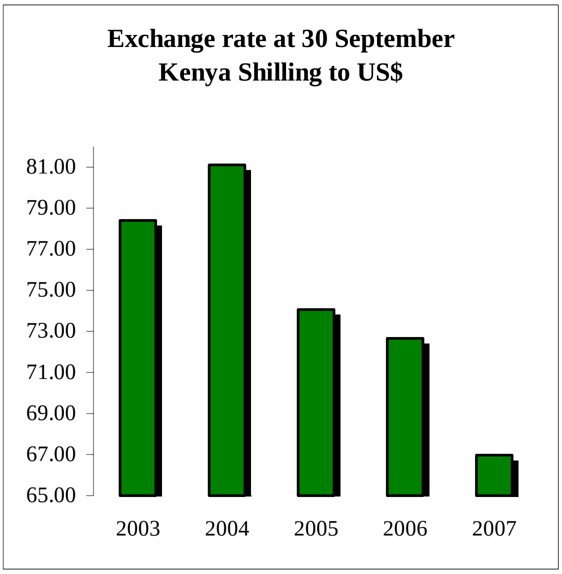
Group statistical information

Total sisal fibre production increased by a further 5% to 17,171 tonnes and spun product production also increased by 9% to 3,043 tonnes. The average price of sisal fibre increased by approximately $100 per tonne but the effect of this was largely offset by a significant strengthening of the Kenya Shilling 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 2007 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 profit for the year of Shs 115,302,000 has been added to revenue reserves.

The directors recommend the payment of a first and final dividend amounting to Shs 48,000,000 (2006: 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	
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
7 January 2008

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 also requires the directors to ensure that the group and the company keep proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

7 January 2008

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

We have audited the financial statements of REA Vipingo Plantations Limited and its subsidiaries set out on pages 16 to 50 which comprise the consolidated and company balance sheets as at 30 September 2007, and the consolidated income statement, consolidated and company statements of changes in equity and consolidated cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes 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

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

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

We believe that 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 2007 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.

Deloitte & Touche
7 January 2008

Consolidated income statement

	Notes	2007 Shs'000	2006 Shs'000
Turnover	3	1,232,980	1,181,207
Fair value of sisal leaf harvested		415,297	381,269
Sisal leaf processing income		457,029	415,536
Gain arising from changes in fair value of biological assets	12	12,441	68,929
Income from sisal cultivation	4	884,767	865,734
Income from manufacture and services		304,760	277,417
Operating income		1,189,527	1,143,151
Cost of sales		(653,470)	(643,026)
Gross Profit		536,057	500,125
Other operating income		4,843	5,468
Distribution costs		(55,130)	(53,498)
Administrative expenses		(285,191)	(264,721)
Other operating expenses		(3,466)	(2,946)
Operating profit	5	197,113	184,428
Finance costs – net	7	(29,328)	(27,070)
Profit before tax		167,785	157,358
Tax	8	(52,483)	(44,782)
Profit for the year		115,302	112,576
Comprising:			
Profit arising from operating activities		106,593	64,325
Profit arising from changes in fair value of biological assets		8,709	48,251
		115,302	112,576
Earnings per share - basic and diluted	9	Shs 1.92	Shs 1.88
Proposed dividend per share	10	Shs 0.80	Shs 0.80

Consolidated balance sheet

	Notes	2007 Shs'000	2006 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	297,561	295,177
Biological assets	12	293,527	288,004
Prepaid operating lease rentals	13	102,057	102,194
Deferred tax assets	20	762	1,892
		693,907	687,267
Current assets			
Inventories	15	249,437	205,510
Receivables and prepayments	16	208,657	147,114
Tax recoverable	8 (b)	7,320	17,143
Cash and cash equivalents	17	7,264	9,677
		472,678	379,444
Total assets		1,166,585	1,066,711
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	300,000	300,000
Share premium		84,496	84,496
Translation reserve		(99,997)	(89,488)
Revenue reserves		424,666	357,364
Shareholders' funds		709,165	652,372
Non-current liabilities			
Borrowings	19	14,990	34,370
Deferred tax liabilities	20	91,139	91,877
Post employment benefit obligations	21	53,897	42,134
		160,026	168,381
Current liabilities			
Payables and accrued expenses	22	101,698	86,446
Tax payable	8 (b)	4,202	548
Borrowings	19	191,494	158,964
		297,394	245,958
Total equity and liabilities		1,166,585	1,066,711

The financial statements on pages 16 to 50 were approved for issue by the board of directors on 7 January 2008 and signed on its behalf by:

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

Company balance sheet

	Notes	2007 Shs'000	2006 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	121,345	116,713
Biological assets	12	52,751	66,964
Prepaid operating lease rentals	13	17,325	17,344
Investment in subsidiaries	14	202,329	205,354
		393,750	406,375
Current assets			
Inventories	15	49,160	40,036
Receivables and prepayments	16	121,314	100,139
Tax recoverable	8 (b)	1,321	4,460
Cash and cash equivalents	17	4,539	7,336
		176,334	151,971
Total assets		570,084	558,346
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	300,000	300,000
Share premium		84,496	84,496
Translation reserve		(27,512)	(24,488)
Revenue reserves		64,698	73,718
Shareholders' funds		421,682	433,726
Non-current liabilities			
Borrowings	19	12,839	12,335
Deferred tax	20	4,007	9,083
Post employment benefit obligations	21	29,340	23,439
		46,186	44,857
Current liabilities			
Payables and accrued expenses	22	35,605	26,058
Borrowings	19	66,611	53,705
		102,216	79,763
Total equity and liabilities		570,084	558,346

The financial statements on pages 16 to 50 were approved for issue by the board of directors on 7 January 2008 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 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)
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
Year ended 30 September 2007								
At start of year	300,000	84,496	(89,488)	-	68,680	288,684	357,364	652,372
Foreign exchange translation	-	-	(10,509)	-	-	-	-	(10,509)
Profit for the year	-	-	-	-	8,709	106,593	115,302	115,302
Dividend paid for 2006	-	-	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(99,997)	-	77,389	347,277	424,666	709,165

Company statement of changes in equity

	Share capital	Share premium	Translation reserve	Proposed dividends	Revenue Reserves			Total
					Biological assets fair value	**Other**	**Total**	
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Year ended 30 September 2006								
At start of year	300,000	84,496	(13,935)	48,000	(1,464)	36,316	34,852	453,413
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
Year ended 30 September 2007								
At start of year	300,000	84,496	(24,488)	-	(262)	73,980	73,718	433,726
(Loss)/ profit for the year	-	-	-	-	(9,949)	48,929	38,980	38,980
Foreign exchange translation on long term loan to subsidiary	-	-	(3,024)	-	-	-	-	(3,024)
Dividend paid – 2006	-	-	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(27,512)	-	(10,211)	74,909	64,698	421,682

Consolidated cash flow statement

	Notes	2007 Shs'000	2006 Shs'000
Operating activities			
Cash generated from operations	25	139,447	190,783
Interest received		19	13
Interest paid		(21,119)	(19,547)
Tax paid		(36,438)	(68,001)
Net cash generated from operating activities		81,909	103,248
Investing activities			
Purchase of property, plant and equipment		(56,281)	(68,743)
Proceeds from disposals of property, plant and equipment		2,983	2,588
Net cash used in investing activities		(53,298)	(66,155)
Financing activities			
Proceeds from long-term borrowings		22,583	45,360
Repayment of long-term borrowings		(55,548)	(44,768)
Finance lease principal payments		-	(3,397)
Dividend paid		(48,000)	(48,000)
Net cash used in financing activities		(80,965)	(50,805)
(Decrease) in cash and cash equivalents		(52,354)	(13,712)
Cash and cash equivalents at start of year		(96,227)	(92,328)
Effects of exchange rate changes		2,263	9,813
Cash and cash equivalents at end of year	17	(146,318)	(96,227)

Notes

1 Accounting policies

Statement of compliance

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

Basis of preparation

The financial statements are prepared under the historical cost convention except where otherwise stated in the accounting policies below. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out below:

The financial statements are presented in Kenya Shillings (shs) rounded to the nearest thousand.

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.

Adoption of new and revised international reporting standards

In 2006, the following new and revised standards and interpretations became effective for the first time:

- IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures.
- IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions.
- IAS 39 Amendment – The Fair Value Option.
- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts.
- IFRS 6 – Exploration for and Evaluation of Mineral Resources.
- IFRIC 4 – Determining whether an Arrangement contains a Lease.
- IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
- IFRIC 7 – Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 – Scope of IFRS 2.
- IFRIC 9 – Reassessment of Embedded Derivatives.

The Directors have reviewed these amendments and interpretations in relation to the Group’s operations and have concluded that they have no current relevance to the Group.

Standards, amendments to published standards and interpretations not yet effective.

The following amendment to an existing standard, new standards and an interpretation have been issued and will become effective in subsequent financial years.

- IAS 1 Amendment – Capital Disclosures.
- IFRS 7 – Financial Instruments Disclosures.
- IFRS 8 – Operating Segments.
- IFRIC 10 – Interim Financial Reporting and Impairment.

The adoption of these standards and interpretations, when effective, will have no material impact on the financial statements of the group.

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.

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

A list of subsidiary companies is shown in Note 14.

Functional currency and translation of foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The consolidated financial statements are presented in thousands of Kenya Shillings, which is the group's presentation currency.

Transactions and balances

Transactions in foreign currencies during the year are converted into the functional currency at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into the functional currency at rates ruling at that date. The resulting differences arising from conversion and translation are dealt with in the income statement in the year in which they arise.

Consolidation

The results and financial position of all subsidiary companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into presentation currency as follows:

a) income statements of foreign subsidiaries are translated into the group's presentation currency at average exchange rates for the year.
b) assets and liabilities of foreign subsidiaries are translated into the group's presentation currency at rates ruling at the year end.
c) the resulting exchange differences are recognised as a separate component of equity (translation reserve).

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.

Notes (continued)

1. Accounting policies (continued)

Segmental Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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

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

Revenue recognition

Turnover is 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.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and any accumulated impairment losses.

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 income statement in the accounting period in which they arise.

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

Notes (continued)

1. Accounting policies (continued)

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.

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 income statement 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 income statement 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.

Notes (continued)

1. Accounting policies (continued)

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.

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.

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 income statement.

Notes (continued)

1. Accounting policies (continued)

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.

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. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the group's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant.

The main areas of judgement in applying the group's accounting policies are set out below:

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 12.

Property, plant and equipment

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

Income Taxes

The group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the group's liability to income tax.

Notes (continued)

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 Shs'000	Spinning and services Shs'000	Total Shs'000
Year ended 30 September 2007			
Sales revenue	928,220	304,760	1,232,980
Operating profit	177,802	19,311	197,113
Segment assets	1,043,049	123,536	1,166,585
Segment liabilities	418,040	39,379	457,419
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

(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 2007			
Sales revenue	733,165	499,815	1,232,980
Operating profit	115,326	81,787	197,113
Segment assets	719,325	447,260	1,166,585
Segment liabilities	326,290	131,129	457,419
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

Notes (continued)

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

	Group	
	2007	**2006**
	Shs'000	**Shs'000**
Revenue from sale of sisal fibre	928,220	903,790
Fair value adjustment of biological assets (Note 12)	12,441	68,929
Net increase in actual costs of biological assets	(91,479)	(81,388)
Net increase/(decrease) in sisal fibre stocks at fair value	35,585	(25,597)
Operating income in respect of sisal cultivation	884,767	865,734

5 Operating profit

The operating profit is arrived at after charging:

Depreciation on property, plant and equipment (Note 11)	49,343	44,443
Amortisation of leasehold land (Note 13)	119	118
Operating lease payments	5,703	6,616
Staff costs (Note 6)	371,749	346,060
Auditors' remuneration	4,500	4,044
Directors' remuneration - fees	876	888
- for management services	15,692	14,030
and after crediting:		
Profit on disposal of property, plant and equipment	(2,408)	(1,769)

6 Staff costs

Salaries and wages	322,933	301,593
Social security costs	11,525	10,619
Pension contributions –defined benefit scheme	5,004	4,914
Gratuity and other terminal benefits	17,129	12,650
Medical	15,158	16,284
	371,749	346,060

Notes (continued)

7 Finance costs – net

	Group	
	2007	**2006**
	Shs'000	**Shs'000**
Interest income	(19)	(13)
Net foreign exchange losses	8,228	7,536
Interest expense	21,119	19,547
	29,328	27,070

8 Tax

(a)Tax charge

Current tax	49,465	27,615
Deferred tax charge (Note 20)	3,018	17,167
	52,483	44,782

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	
	2007	**2006**
	Shs'000	**Shs'000**
Profit before tax	167,785	157,358
Tax calculated at the domestic rates applicable to profits in the countries concerned	50,335	47,207
Tax effect of:		
Income not subject to tax	-	135
Expenses not deductible for tax purposes	3,150	1,022
Underprovision of deferred tax in prior year	243	939
(Overprovision) of current tax in prior year	(1,245)	(4,521)
Tax charge	52,483	44,782

Notes (continued)

8 Tax (continued)

(b)Tax movement

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
At beginning of year	(16,595)	23,359	(4,460)	(307)
Current year charge/(credit)	49,465	27,615	3,139	(124)
Tax paid	(36,438)	(68,001)	-	(4,029)
Translation adjustment	450	432	-	-
At end of year	(3,118)	(16,595)	(1,321)	(4,460)

Balances at year end

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
Tax recoverable	(7,320)	(17,143)	(1,321)	(4,460)
Tax payable	4,202	548	-	-
	(3,118)	(16,595)	(1,321)	(4,460)

9 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 2007	Group 2006
Net profit (Shs '000)	115,302	112,576
Average number of ordinary shares (thousands)	60,000	60,000
Basic earnings per share (Shs)	1.92	1.88

There were no potentially dilutive ordinary shares outstanding at 30 September 2007 or 30 September 2006. Diluted earnings per share is therefore the same as basic earnings per share.

10 Dividends

At the annual general meeting to be held on 14 March 2008, a first and final dividend in respect of the year ended 30 September 2007 of Shs 0.80 (2006: Shs 0.80) per share amounting to a total of Shs 48,000,000 (2006: Shs 48,000,000) is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for East African residents and 10% for other overseas shareholders.

Notes (continued)

11 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 2005	49,500	72,242	402,173	3,508	527,423
Additions	-	-	51,256	17,487	68,743
Transfers	-	14,594	2,067	(16,661)	-
Disposals	-	-	(9,951)	-	(9,951)
Translation adjustment	-	(1,444)	(19,172)	(182)	(20,798)
	49,500	85,392	426,373	4,152	565,417
At 1 October 2006	49,500	85,392	426,373	4,152	565,417
Additions	-	128	35,396	20,757	56,281
Transfers	-	11,700	8,880	(20,580)	-
Disposals	-	-	(9,373)	-	(9,373)
Translation adjustment	-	(402)	(5,990)	(148)	(6,540)
At 30 September 2007	49,500	96,818	455,286	4,181	605,785
Depreciation					
At 1 October 2005	-	9,171	233,673	-	242,844
Charge for the year	-	1,611	42,832	-	44,443
Eliminated on disposals	-	-	(9,132)	-	(9,132)
Translation adjustment	-	(116)	(7,799)	-	(7,915)
At 30 September 2006	-	10,666	259,574	-	270,240
At 1 October 2006	-	10,666	259,574	-	270,240
Charge for the year	-	1,642	47,701	-	49,343
Eliminated on disposals	-	-	(8,797)	-	(8,797)
Translation adjustment	-	(37)	(2,525)	-	(2,562)
At 30 September 2007	-	12,271	295,953	-	308,224
Net book amount					
At 30 September 2007	49,500	84,547	159,333	4,181	297,561
At 30 September 2006	49,500	74,726	166,799	4,152	295,177

Notes (continued)

11 Property, plant and equipment (continued)

Included in property, plant and equipment are assets with an original cost of Shs 161,051,000 (2006: Shs 130,358,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 29,134,000 (2006: Shs 24,396,000).

Notes (continued)

11 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 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
At 1 October 2006	45,000	29,278	129,330	496	204,104
Additions	-	128	12,661	7,724	20,513
Transfers	-	4,873	325	(5,198)	-
Disposals	-	-	(5,374)	-	(5,374)
At 30 September 2007	45,000	34,279	136,942	3,022	219,243
Depreciation					
At 1 October 2005	-	4,593	74,501	-	79,094
Charge for the year	-	664	12,369	-	13,033
Eliminated on disposals	-	-	(4,736)	-	(4,736)
At 30 September 2006	-	5,257	82,134	-	87,391
At 1 October 2006	-	5,257	82,134	-	87,391
Charge for the year	-	489	15,392	-	15,881
Eliminated on disposals	-	-	(5,374)	-	(5,374)
At 30 September 2007	-	5,746	92,152	-	97,898
Net book amount					
At 30 September 2007	45,000	28,533	44,790	3,022	121,345
At 30 September 2006	45,000	24,021	47,196	496	116,713

Included in property, plant and equipment are assets with an original cost of Shs 49,444,000 (2006:Shs 43,997,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 9,443,000 (2006:Shs 8,392,000).

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

Notes (continued)

12 Biological Assets

Sisal plants and nurseries

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Carrying amount at start of year	288,004	235,946	66,964	65,247
Loss arising from changes in fair value attributable to physical changes	(74,158)	(31,204)	(37,882)	(20,524)
Gain arising from changes in fair value attributable to price changes of sisal fibre	175,035	74,211	55,870	28,876
(Loss)/gain arising from changes in fair value attributable to changes in exchange rate	(88,436)	25,922	(32,201)	(6,635)
Net fair value gain/(loss)	12,441	68,929	(14,213)	1,717
Translation adjustment	(6,918)	(16,871)	-	-
Carrying amount at end of year	293,527	288,004	52,751	66,964

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 over a number of 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)

13 Prepaid operating lease rentals

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At beginning of year	102,194	102,376	17,344	17,362
Amortisation	(119)	(118)	(19)	(18)
Translation adjustment	(18)	(64)	-	-
At end of year	102,057	102,194	17,325	17,344

The group holds various leasehold land titles which are amortised over the period of the lease, the remaining periods of which range from 54 years to over 900 years.

14 Investment in subsidiaries

	Company	
	2007	**2006**
	Shs'000	**Shs'000**
Shares in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	68,154	71,179
	202,329	205,354

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	
		2007	**2006**	**2007**	**2006**
		Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
15	**Inventories**				
	Sisal fibre at fair value	107,864	73,345	32,189	25,988
	Finished goods at cost	16,203	21,148	-	-
	Finished goods at net realisable value	7,658	7,500	-	-
	Stores and raw materials at cost less provision	117,712	103,517	16,971	14,048
		249,437	205,510	49,160	40,036
16	**Receivables and prepayments**				
	Trade receivables	10,648	11,788	1,656	3,235
	Prepayments	11,990	8,494	4,266	1,758
	Amounts due from related parties (Note 26)	110,102	68,866	50,033	19,507
	Amounts due from group companies	-	-	39,216	50,984
	VAT recoverable	71,260	54,283	24,776	23,903
	Other receivables	4,657	3,683	1,367	752
		208,657	147,114	121,314	100,139
17	**Cash and cash equivalents**				
	Cash at bank and in hand	7,264	9,677	4,539	7,336

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

	Group	
	2007	**2006**
	Shs'000	**Shs'000**
Cash and bank balances as above	7,264	9,677
Bank overdrafts (Note 19)	(153,582)	(105,904)
	(146,318)	(96,227)

Notes (continued)

18	**Share capital**	**Number of shares**	**Ordinary shares**
	Authorised, issued and fully paid	**(Thousands)**	**Shs'000**
	Balance at 1 October 2005, 1 October 2006 and 30 September 2007	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.

19	**Borrowings**	**Group**		**Company**	
		2007 Shs'000	**2006 Shs'000**	**2007 Shs'000**	**2006 Shs'000**
	Total borrowings	206,484	193,334	79,450	66,040
	Less: current portion	(191,494)	(158,964)	(66,611)	(53,705)
	Non-current portion	14,990	34,370	12,839	12,335

The borrowings are made up as follows:

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
Non-current				
Bank loans	14,990	34,370	12,839	12,335
Current				
Bank overdrafts	153,582	105,904	48,267	37,214
Bank loans	37,912	53,060	18,344	16,491
	191,494	158,964	66,611	53,705

Notes (continued)

19 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**
2007				
Bank overdrafts	99,202	29,741	24,639	153,582
Bank loans	41,924	10,978	-	52,902
	141,126	40,719	24,639	206,484
2006				
Bank overdrafts	71,288	12,231	22,385	105,904
Bank loans	54,966	32,464	-	87,430
	126,254	44,695	22,385	193,334

Company

	Borrowings in Kshs Shs'000	**Borrowings in USD Shs'000**	**Total Shs'000**
2007			
Bank overdrafts	23,873	24,394	48,267
Bank loans	31,183	-	31,183
	55,056	24,394	79,450
2006			
Bank overdrafts	20,586	16,628	37,214
Bank loans	28,826	-	28,826
	49,412	16,628	66,040

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

Notes (continued)

19 Borrowings (continued)

	Group		**Company**	
	2007	**2006**	**2007**	**2006**
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	10.1%	10.9%	9.5%	9.5%
-bank loans – Kshs	9.6%	10.2%	9.5%	9.5%
-bank overdrafts – Tshs	12.50%	13.0%	-	-
-bank loans – Tshs	13.0%	12.7%	-	-
-bank overdrafts – US$	7.1%	6.2%	7.1%	7.3%

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

	Group		**Company**	
	2007 Shs'000	**2006 Shs'000**	**2007 Shs'000**	**2006 Shs'000**
Maturity of non-current loans				
Between 1 and 2 years	11,133	30,497	8,982	10,708
Between 2 and 5 years	3,857	3,873	3,857	1,627
	14,990	34,370	12,839	12,335

Notes (continued)

20 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2006: 30%). The movement on the deferred tax account is as follows:

	Group		**Company**	
	2007	**2006**	**2006**	**2005**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	89,985	79,221	9,083	18,383
Income statement charge/(credit) (Note 8)	3,018	17,167	(3,862)	(9,300)
Translation adjustment	(2,626)	(6,403)	-	-
At end of year	90,377	89,985	5,221	9,083

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

	Group		**Company**	
	2007	**2006**	**2007**	**2006**
Deferred tax assets	(762)	(1,892)	-	-
Deferred tax liabilities	91,139	91,877	4,007	9,083
	90,377	89,985	4,007	9,083

Notes (continued)

20 Deferred tax (continued)

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

Group

	1.10.2006	Charged/ (credited) to P/L	Translation adjustment	30.9.2007
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Property, plant and equipment	32,988	1,351	(827)	33,512
Biological assets	86,402	3,731	(2,075)	88,058
Agricultural produce	3,136	-	-	3,136
	122,526	5,082	(2,902)	124,706
Deferred tax assets				
Provisions	(30,930)	(3,666)	267	(34,329)
Tax losses carried forward	(1,611)	1,602	9	-
	(32,541)	(2,064)	276	(34,329)
Net deferred tax liability	89,985	3,018	(2,626)	90,377

Company

	1.10.2006	Charged/ (credited) to P/L	30.9.2007
	Shs'000	Shs'000	Shs'000
Deferred tax liabilities			
Property, plant and equipment	5,366	695	6,061
Biological assets	20,089	(4,264)	15,825
Agricultural produce	1,647	-	1,647
	27,102	(3,569)	23,533
Deferred tax assets			
Provisions	(16,602)	(2,924)	(19,526)
Tax losses	(1,417)	1,417	-
	(18,019)	(1,507)	(19,526)
Net deferred tax liability	9,083	(5,076)	4,007

Notes (continued)

21 Post employment benefit obligations

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Post employment benefit obligations comprise:				
(a) Staff retirement gratuity	53,832	42,069	29,297	23,396
(b) Defined benefit scheme liability	65	65	43	43
	53,897	42,134	29,340	23,439

(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	
	2007	**2006**	**2007**	**2006**
At start of year	42,069	34,898	23,396	19,991
Charged to profit and loss account	15,255	9,893	8,465	4,982
Utilised during year	(3,463)	(2,529)	(2,564)	(1,577)
Translation adjustment	(29)	(193)		-
At end of year	53,832	42,069	29,297	23,396

(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 2010.

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

	2007	**2006**
	Shs'000	**Shs'000**
Present value of funded obligations	73,117	63,870
Fair value of scheme assets	(70,483)	(59,644)
Net under funding in funded plan	2,634	4,226
Unrecognised actuarial loss	(2,569)	(4,161)
Net liability in the balance sheet	65	65

Notes (continued)

21 Post employment benefit obligations (continued)

The amounts recognised in the income statement are determined as follows:

	2007 Shs'000	2006 Shs'000
Current service cost net of employees' contributions	2,770	3,947
Interest on obligation	6,619	5,196
Expected return on plan assets	(6,314)	(4,695)
Net actuarial loss recognised in the year	1,929	466
Net charge for the year included in staff costs	5,004	4,914
Contributions paid	(5,004)	(4,849)
Movement in the liability recognised in the balance sheet	-	65

The principal actuarial assumptions used were as follows:

	2007	2006
- discount rate	10%	9%
- expected rate of return on scheme assets	10%	9%
- future salary increases	7%	7%
- future pension increases	7%	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 2007, the group contributed Shs 11,525,000 (2006:Shs 10,619,000) which has been charged to the income statement.

22 Payables and accrued expenses

	Group		Company	
	2007 Shs'000	2006 Shs'000	2007 Shs'000	2006 Shs'000
Trade payables	49,515	38,161	16,750	10,587
Amounts due to related parties (Note 26)	11,908	11,202	1,252	486
Amounts due to group companies	-	-	2,087	1,597
Provision for leave pay	14,379	12,965	6,399	7,178
Accrued expenses	19,439	19,258	5,684	3,886
Other payables	6,457	4,860	3,433	2,324
	101,698	86,446	35,605	26,058

Notes (continued)

23 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.

24 Commitments

Capital commitments

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Authorised and contracted for	16,838	-	10,141	-

Operating lease commitments

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Not later than 1 year	5,184	5,345	2,519	2,680
Between 2 and 5 years	11,084	14,265	1,758	3,607
	16,268	19,610	4,277	6,287

Notes (continued)

25 Note to the cash flow statement

	2007 Shs'000	2006 Shs'000
Reconciliation of operating profit to cash generated from operations:		
Operating profit	197,113	184,428
Adjustments for:		
Depreciation (Note 11)	49,343	44,443
Fair value adjustment of biological assets (Note 12)	(12,441)	(68,929)
Amortisation of prepaid operating lease rentals (Note 13)	119	118
Profit on sale of property, plant and equipment	(2,408)	(1,769)
Net foreign exchange losses (Note 7)	(8,228)	(7,536)
Operating profit before working capital changes	223,498	150,755
Working capital changes:		
- receivables and prepayments	(63,252)	(20,763)
- inventories	(49,085)	50,893
- payables and accrued expenses	16,494	2,469
- post employment benefit obligations	11,792	7,429
Cash generated from operations	139,447	190,783

The exchange movements attributable to movement of working capital are as follows:

	2007 Shs'000	2006 Shs'000
- receivables and prepayments	(1,709)	(6,758)
- inventories	(5,158)	(20,809)
- payables and accrued expenses	1,242	5,149
- post employment benefit obligations	29	193
	(5,596)	(22,225)

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 Services 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)

26 Related party transactions (continued)

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

i) Sales of goods and services

	Group	
	2007	**2006**
	Shs'000	**Shs'000**
Sale of sisal fibre and yarns		
Wigglesworth & Company Limited	1,046,662	1,016,313
Management services		
Afchem Limited	720	924
Sale of motor vehicle		
N. Cuthbert	-	800

ii) Purchase of management and legal services

	2007	2006
Kaplan & Stratton	185	10
REA Services Limited	153	139
REA Trading Limited	2,576	2,576
	2,914	2,725

iii) Interest paid

	2007	2006
Wigglesworth & Company Limited	812	1,006

iv) Key management compensation

Remuneration paid to directors and key management staff was as follows:

	2007	2006
Salaries and other benefits	43,650	40,198

iv) Outstanding balances

	2007	2006
Current receivables		
Afchem Limited	80	133
Wigglesworth & Company Limited	110,022	68,733
	110,102	68,866
Current payables		
Wigglesworth & Company Limited	11,908	11,202

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

27 Country of incorporation

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

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