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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, Mai Avenue,

P.O. Box 8484, Nairobi 00100

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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 3 June 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.

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.

Board of Directors

The composition of the board is given on page 2 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.

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.

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.

Corporate Governance (continued)

Environmental audits, as required by Kenyan legislation, are conducted regularly. The group is committed to the protection of the environment and has commenced experimentol 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 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 hos 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 word 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 donotes on a regular basis to a number of worthy and well manoged charities.

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.

The ten largest shareholdings at the balance sheet date were:

Name	No of Shares	Percentage of issued capital
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%

Corporate Governance (continued)

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 Plantation 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.

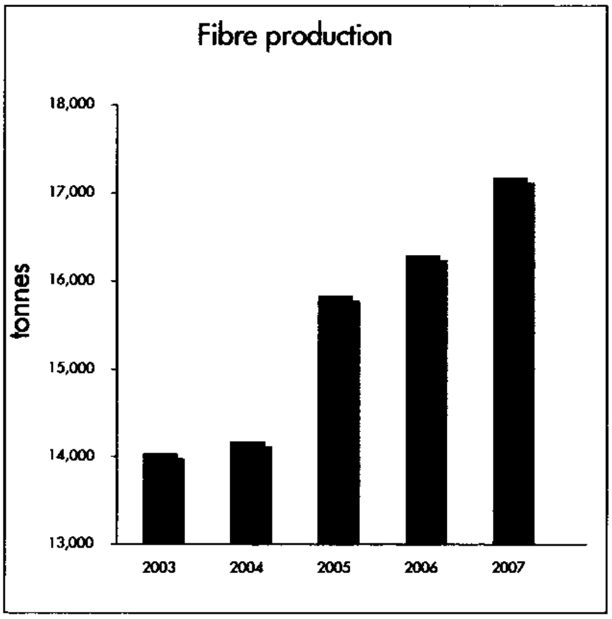
Marketing

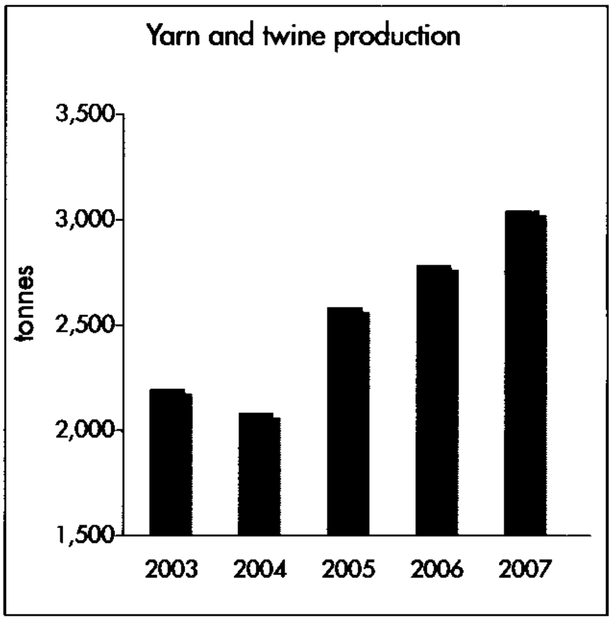
Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold to a related company, Wigglesworth & Co, and this arrangement continued through the year to 30 September 2007. Wigglesworth & Co, which is a leading international sisal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

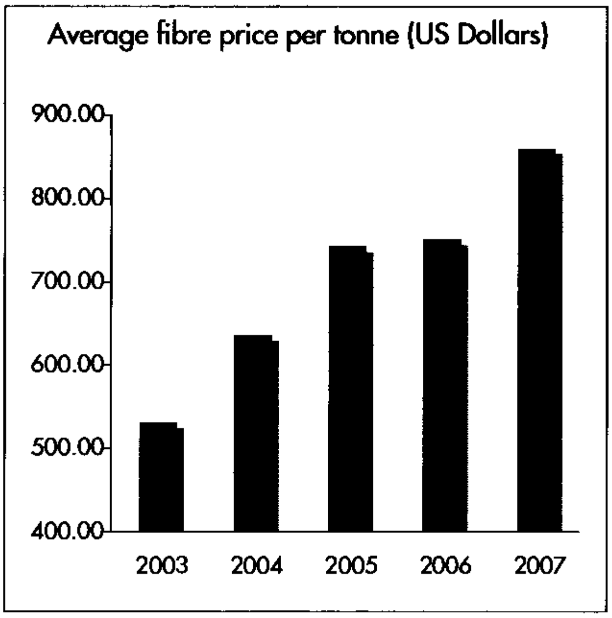
Review of Operations (continued)

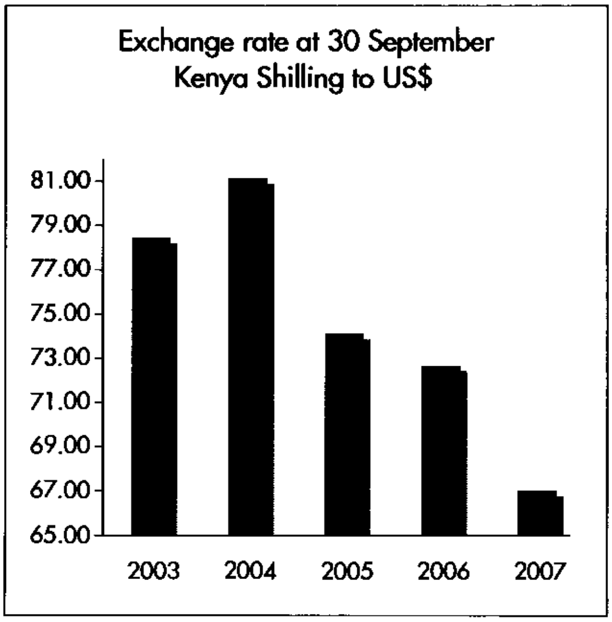
Group statistical information

Total sisal fibre production increased by a further 5% to 17,138 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 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 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 46 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 46 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 46 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 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	(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 for 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 for 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 financiol 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 financiol years.

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

1. Accounting policies (continued)

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

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.

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

Notes (continued)

1. Accounting policies (continued)

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	5 – 10 years
(including vehicles and equipment)	

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.

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

1. Accounting policies (continued)

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 on 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.

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

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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.

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.

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

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:

		2007	2006
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

	2007	2006
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

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

	2007	2006
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

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.

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)
At 30 September 2006	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

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).

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.

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.

13. Prepaid operating lease rentals

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 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 Shs'000	Company 2006 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.

15. Inventories

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
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

	Group 2007 Shs'000	Group 2006 Shs'000	Company 2007 Shs'000	Company 2006 Shs'000
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

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

18. Share capital

Authorised, issued and fully paid	Number of shares (Thousands)	Ordinary shares 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	2006	2007	2006
	Shs'000	Shs'000	Shs'000	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

19. Borrowings (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.

19. Borrowings (continued)

	Group 2007	2006	Company 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 2007 Shs'000	2006 Shs'000	Company 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

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 2007	2006	Company 2007	2006
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 2007	2006	Company 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

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

21. Post employment benefit obligations

	Group		Company	
	2007	2006	2007	2006
	Shs'000	Shs'000	Shs'000	Shs'000
(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
	Shs'000	Shs'000	Shs'000	Shs'000
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 odministered 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

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:		
- 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.

26. Related party transactions (continued)

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

i) Sales of goods and services

	2007 Shs'000	2006 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 Shs'000	2006 Shs'000
Kaplan & Stratton	185	10
REA Services Limited	153	139
REA Trading Limited	2,576	2,576
	2,914	2,725

iii) Interest paid

	2007 Shs'000	2006 Shs'000
Wigglesworth & Company Limited	812	1,006

iv) Key management compensation

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

	2007 Shs'000	2006 Shs'000
Salaries and other benefits	43,650	40,198

v) Outstanding balances

	2007 Shs'000	2006 Shs'000
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.

Form of Proxy

Rea Vipingo 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 Company to be held on the 14th of March 2008 and at any adjaurnment thereof.

Unless atherwise instructed, the praxy will vate as he thinks fit.

Signature ______________________ Date ______________ 2008

This form is to be used* in favaur of/against the resolutians. Unless atherwise instructed the praxy will vote as he thinks fit.

* Strike out whichever is nat desired.

Notes:

1. Ta be valid this praxy must be returned ta The Secretary, Rea Vipingo Plantatians Ltd, Madisan Insurance Hause, Upper Hill Road, P.O.Box 17648, Nairobi - 00500 so as to arrive no later than 10:00am on Thursday 13th March 2008.
2. In case of a corporatian this proxy must be under its comman 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 17648-00500
Nairobi
Kenya

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First Fold

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Company Information

Directors

The directors of the company are as follows:

Oliver Fowler

Chairman, non-executive, aged 56, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 30 years. He is a director of Nyara Tea Estate Limited.

Neil Cuthbert

Managing, aged 53, 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 63, 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.

Stephen Waruhiu

Independent non-executive, aged 54, 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 28 years.

Brown Ondego

Independent non-executive, aged 57, has extensive experience in the shipping industry. Whilst serving as managing director of Mackenzie Maritime Limited he was recruited to serve as managing director of Kenya Ports Authority, a position he held until 2005. He is currently executive chairman of Rift Valley Railways Limited and a non-executive director of Barclays Bank of Kenya Limited.

Secretary and registered office

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

Registrars and transfer office

Custody and Registrars Services Limited,
Bruce House, Standard Street,
P.O. Box 8484, Nairobi 00100

Auditors

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

2009/0377

Notice of meeting

Notice is hereby given that the fourteenth annual general meeting of the company will be held at Sarova Panafric Hotel, Valley Road, Nairobi on Friday 27 March 2009, 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 2008.

3. To approve the payment of a first and final dividend for the year ended 30 September 2008 of Sh 0.20 per share payable on or about 15 June 2009 to shareholders registered at the close of business on 27 March 2009.

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

5. To approve the directors' remuneration for the year ended 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.

As special business

8. To approve the acquisition by the company of Vipingo Estate Limited.

By order of the board
I R HODSON
Secretary
20 January 2009

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 accountability 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 internationally accepted 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 2 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 wice 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.

Corporate Governance (continued)

During the year an independent auditing organisation has carried out a detailed appraisal of the systems of internal control at all group operations and further appraisals and specific unannounced audits will be carried out periodically.

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 Oliver Fowler. It is responsible for the determination of the executive director's remuneration. It meets annually or as may be required.

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.

Annual and half yearly reports together with general information about the operations of the group, are available on the website, www.reavipingo.com.

Directors' emoluments and loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year are disclosed in Note 7 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 regularly carries out training programmes 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 and has a policy of promoting from within wherever possible.

The Board has adopted policies and issued 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, are established on both of the Kenyan Estates and meet quarterly. The Kenyan Estates are subject to annual H & S audits in compliance with legislation.

Environmental audits, as required by Kenyan legislation, are conducted regularly. The group is committed to the protection of the environment and plants a number of trees every year at most 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.

Corporate Governance (continued)

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.

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.

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. At Mwera in Tanzania, the group supports a government health centre which provides facilities to employees and their dependants.

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

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

In both Kenya and Tanzania, the group also assists community schools outside of the estates, but within the vicinity in which the group operates, usually by way of assistance with building materials and infrastructure.

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

Corporate Governance (continued)

Directors' interest

The interest of the directors in the shares of the company at 30 September 2008 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.

The ten largest shareholdings at the balance sheet date were:

Name	Number of shares	Percentage
REA Holdings plc	21,880,745	36.47%
REA Trading Limited	12,346,109	20.57%
Dyer & Blair Investment Bank Limited	1,506,800	2.51%
N.R. Cuthbert	1,375,292	2.29%
V.N. Marjaria	861,377	1.44%
Aly-Khan Satchu	811,400	1.35%
H.N. Ivuti	643,000	1.07%
Mamujee Brothers Foundation	587,907	0.98%
Prime Securities Investments Trust	529,278	0.88%
J.B. Emmett	515,678	0.86%
	41,057,586	68.42%
6,504 other shareholders	18,942,414	31.58%
	60,000,000	100.00%

Corporate Governance (continued)

Distribution schedule

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage
Less than 500	2,506	457,294	0.76%
500-5,000	3,481	5,392,737	8.99%
5,001-10,000	245	1,838,395	3.06%
10,001-100,000	244	6,057,773	10.10%
100,001-1,000,000	34	9,144,855	15.24%
Above 1,000,000	4	37,108,946	61.85%
	6,514	60,000,000	100.00%

Shareholder profile

Kenyan individual shareholders	5,936	18,930,593	31.55%
Kenyan institutional shareholders	507	5,784,787	9.64%
Foreign individual shareholders	65	385,280	0.64%
Foreign institutional shareholders	6	34,899,340	58.17%
	6,514	60,000,000	100.00%

Chairman's Statement

The year to 30 September 2008 was another satisfactory year for the company.Sisal fibre prices, which had been rising steadily for a number of years, increased quite substantially during the year with the result that, despite the strong Kenya shilling which prevailed for most of the year, turnover increased by 10% to Shillings 1.36 billion.

During the year the group continued to experience increases in operating expenses particularly in respect of fuel and electricity and, in Tanzania, labour wages also increased substantially following a Government revision of minimum wages.

Despite the major impact of the strong Kenya Shilling and increases in fuel and other costs, as well as slightly lower volumes, we have managed to sustain profitability. Profit before tax, including a fair value gain on the acquisition of Vipingo Estate Limited of Shs. 66.34 million, increased by Shs. 59.43 million to Shs. 227.22 million.

After many years of growth in fibre volumes, the overall production of the group declined marginally by 2.7% during the year to 16,674 tonnes. The small reduction in volume was a result of lower production at the Vipinga estate which had a poor leaf position following the failure of the short rains. Volumes at the Dwa estate, and on the Tanzanian estates, were higher than have been achieved previously.

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 2,812 tonnes. Production of higher value fibre fine yarns increased. Despite substantial increases in costs, most notably sisal fibre, fuel and power, the mill produced a very satisfactory contribution.

During the year the company acquired the whole of the issued share capital of Vipingo Estate Limited. At the time of the formation of the company in 1995, approximately half of the land then owned by VEL was acquired by the company and, subsequently, VEL divested much of their remaining land. However, an area of approximately 330 hectares on which, by agreement with VEL, we have been cultivating sisal remained but with the acquisition of VEL, we now own. VEL also owns a number of small plots close to the Indian Ocean.

Regrettably, the satisfactory picture presented in the preceding paragraphs has not continued into the current financial year and, in common with many export commodity businesses, the company is facing serious challenges. The problems in the world's financial markets and the resulting slow down in the global economy coincided more or less with the start of the new financial year. With the exception of fibre that we feed into our mill, and some mill product, all fibre and spun product that we produce is exported and therefore the group is directly effected by the global economic situation and the recession that now exists in most of the industrialized world.

It is, as I write, very difficult to predict where the market for sisal fibre will settle in terms of both price and volume but it is almost certain that, in the short term at least, there will be some adjustment. We are seeing a degree of destocking by some of our buyers as they review the effects of the slow down on their own businesses and, of course, in the expectation of lower prices.

The Tanga spinning mill is also affected by the current world economic situation and has been operating at a lower level of output since the start of the current financial year. Input prices for fibre to the mill, as well as petroleum based inputs, have reduced in cost but sale prices have had to be reduced and the market remains very competitive.

Whilst the prospects for the current year carry some uncertainties, the group does have very well developed estates and strong marketing arrangements, and I am confident that we shall be able to deal with the challenges that lie ahead. However, as a result of the need to preserve cash until it is clear how the market for our products will develop, your board feels that it would be prudent to take a more conservative approach to dividends at this time and recommends the payment of a first and final dividend of Shs 0.20 per share.

Providing the estates receive reasonable rainfall during the remainder of this year, they have the potential to produce similar volumes of fibre as have been achieved in recent years. However, it is, as I have already said, most likely that the market will, to some extent, contract in the short term and therefore volumes for the current year will possibly be lower.

On a positive note, we must remember that sisal prices had reached an all time high before the downturn and the US Dollar, the currency in which we trade, is presently strong against all currencies, including the Kenyan and Tanzanian Shillings. It is to be hoped that the local currencies will remain relatively weak against the US Dollar and that the recent reductions in fuel and power costs will be sustained.

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

OLIVER FOWLER
CHAIRMAN

Review of Operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2008 and crops are stated for the whole year ended on that date and referred to as the 2008 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	2,917
Older sisal	793
Immature sisal	1,417
Nurseries	60
Other areas	3,803
	8,990

Although Dwa suffered an extended period of drought during the middle part of the year, the estate entered the dry period with a very satisfactory leaf position. The drought did affect fibre quality towards the end of the year but, improved efficiencies on the estate resulted in volumes being maintained at a high level throughout the year. Total fibre baled during the year was 6,419 tonnes (2007 – 6,318 tonnes).

The estate continues to have a very good leaf position and, although the November rains have been well below average, has the potential to produce at a high level again during the current year providing satisfactory rain is received in April.

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 599 hectares were planted in 2007/2008.

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 follow

	Hectares
Mature sisal	1,769
Older sisal	767
Immature sisal	806
Nurseries	81
Other areas	527
	3,950

The November rains failed at Vipinga and, unfortunately, the estate entered the unexpected dry period with an unsatisfactory leaf position. As a result of the poor leaf availability, production, particularly during the first half of the year, had to be curtailed and overall the volume of fibre produced during the year was well below expectations. Total fibre production was 4,079 tonnes (2007 – 5,529 tonnes).

The leaf position at Vipingo has improved and, providing a more normal rainfall pattern is experienced this year, the estate has the potential to achieve higher volumes again.

Planting at Vipingo is carried out prior to the May rains and some 403 hectares were planted in 2008.

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	2,394
Older sisal	899
Immature sisal	1,204
Nurseries	60
Other areas	6,313
	10,870

The total rainfall recorded on the Tanzanian estates was below average but, fortunately, the distribution was good and the estates were able to take advantage of a good leaf position, improved labour availability and increased factory capacity. Fibre production exceeded 3,000 tonnes on each of the two estates for the first time and total production was 6,176 tonnes (2007 – 5,290 tonnes).

Leaf availability remains satisfactory, particularly at Sakura estate, and given a normal rainfall pattern, the Tanzanian group has the potential to continue to produce at a high level.

Planting on the Tanzanian estates is mainly carried out prior to the May rains and a total of 373 hectares was planted in 2007/2008.

Amboni Spinning Mill Limited

The Tanga spinning mill, situated on the outskirts of Tanga town had a good year with a total production of 2,812 tonnes (2007 - 3,043 tonnes) of spun products. Sales into both the export and local markets were good throughout the year with the result that the mill was able to produce consistently at a high level. Despite substantial increases in fibre prices, fuel, power and packaging, the mill produced a satisfactory return for the year.

The current year, as a result of the slow down in the global economy, is, however, proving to be much more of a challenge. Sales volumes during the first quarter are significantly lower and pricing is under considerable pressure. On a positive note, fibre prices have reduced, as have certain other input costs, and the exchange rate has improved, but overall it is expected that volumes will be lower and margins tighter this year.

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 2008. 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.

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 2008 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 cultivotion 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 168,153,000 has been added to revenue reserves.

The directors recommend the payment of a first and final dividend for the year ended 30 September 2008 of Shs 0.20 per share amounting to Shs 12,000,000 (2007:Shs 0.80 per share amounting to Shs 48,000,000).

Directors

The directors who held office during the year and to the date of this report were:

O M Fawler	Kenyan	(chairman)
N R Cuthbert	British	(managing)
R M Robinow	British	
M arap Sang	Kenyan	retired 26 September 2008
S N Waruhiu	Kenyan	
B M M Ondego	Kenyan	appointed 26 September 2008

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

20 January 2009

Statement of Directors' Responsibilities

The Kenyan 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 parent company and its subsidiary companies 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 Kenyan 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

20 January 2009

Independent Auditors' Report to the Members of REA Vipingo Plantations Limited

Report on the Financial Statements

We have audited the accompanying financial statements of REA Vipingo Plantations Limited and its subsidiaries set out on pages 16 to 56 which comprise the consolidated and parent company balance sheets as at 30 September 2008, and the consolidated income statement, consolidated and parent company statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 whether the financial statements are free from 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, including the assessment of the risk 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 company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 30 September 2008 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company so far as appears from our examination of those books; and

iii) the company's balance sheet is in agreement with the books of account.

Deloitte & Touche
Certified Public Accountants (Kenya)
20 January 2009
Nairobi

Consolidated Income Statement

	Notes	2008 Shs'000	2007 Shs'000
Turnover	5	1,356,427	1,232,980
Fair value of sisal leaf harvested		421,153	415,297
Sisal leaf processing income		538,569	457,029
Gain arising from changes in fair value of biological assets	14	16,266	12,441
Income from sisal cultivation	6	975,988	884,767
Income from manufacture and services		329,904	304,760
Operating income		1,305,892	1,189,527
Cost of sales		(733,987)	(653,470)
Gross Profit		571,905	536,057
Other operating income		7,908	4,843
Distribution costs		(60,295)	(55,130)
Administrative expenses		(330,680)	(285,191)
Other operating expenses		(3,186)	(3,466)
Fair value gain on acquisition of subsidiary	16	66,344	-
Finance costs – net	9	(24,777)	(29,328)
Profit before tax	7	227,219	167,785
Tax	10	(59,066)	(52,483)
Profit for the year		168,153	115,302
Comprising:			
Profit arising from operating activities		98,099	106,593
Profit arising from changes in fair value of biological assets		11,386	8,709
Net fair value gain on acquisition of subsidiary		58,668	-
		168,153	115,302
Earnings per share - basic and diluted	11	Shs 2.80	Shs 1.92
Proposed dividend per share	12	Shs 0.20	Shs 0.80

Consolidated Balance Sheet

	Notes	2008 Shs'000	2007 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	334,843	297,561
Biological assets	14	327,736	293,527
Prepaid operating lease rentals	15	139,707	102,057
Investment in unquoted shares	18	15,251	-
Deferred tax assets	24	23,074	762
		840,611	693,907
Current assets			
Inventories	19	339,118	249,437
Receivables and prepayments	20	260,492	208,657
Tax recoverable	10 (b)	4,492	7,320
Cash and cash equivalents	21	187,251	7,264
		791,353	472,678
Total assets		1,631,964	1,166,585
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium		84,496	84,496
Translation deficit		(54,149)	(99,997)
Revenue reserves		544,819	424,666
Shareholders' funds		875,166	709,165
Non-current liabilities			
Borrowings	23	32,730	14,990
Deferred tax liabilities	24	107,370	91,139
Post employment benefit obligations	25	62,258	53,897
		202,358	160,026
Current liabilities			
Payables and accrued expenses	26	122,374	101,698
Tax payable	10 (b)	16,010	4,202
Borrowings	23	416,056	191,494
		554,440	297,394
Total equity and liabilities		1,631,964	1,166,585

The financial statements on pages 16 to 56 were approved for issue by the board of directors on 20 January 2009 and signed on its behalf by:

N R Cuthbert Director

O M Fowler Director

Company Balance Sheet

	Notes	2008 Shs'000	2007 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	130,080	121,345
Biological assets	14	46,043	52,751
Prepaid operating lease rentals	15	17,307	17,325
Investment in subsidiaries	17	582,470	202,329
Deferred tax asset	24	22,327	-
		798,227	393,750
Current assets			
Inventories	19	65,307	49,160
Receivables and prepayments	20	97,567	121,314
Tax recoverable	10 (b)	1,331	1,321
Cash and cash equivalents	21	17,300	4,539
		181,505	176,334
Total assets		979,732	570,084
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	300,000	300,000
Share premium		84,496	84,496
Translation deficit		(17,115)	(27,512)
Revenue reserves		32,396	64,698
Shareholders' funds		399,777	421,682
Non-current liabilities			
Borrowings	23	12,347	12,839
Deferred tax	24	-	4,007
Post employment benefit obligations	25	33,107	29,340
		45,454	46,186
Current liabilities			
Payables and accrued expenses	26	262,481	35,605
Borrowings	23	272,020	66,611
		534,501	102,216
Total equity and liabilities		979,732	570,084

The financial statements on pages 16 to 56 were approved for issue by the board of directors on 20 January 2009 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 deficit Shs'000	Revenue Reserves			Total Shs'000
				Biological assets fair value Shs'000	Other Shs'000	Total Shs'000	
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
Year ended 30 September 2008							
At start of year	300,000	84,496	(99,997)	77,389	347,277	424,666	709,165
Foreign exchange translation	-	-	45,848	-	-		45,848
Profit for the year	-	-	-	11,386	156,767	168,153	168,153
Dividend paid for 2007	-	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(54,149)	88,775	456,044	544,819	875,166

The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.

Company Statement of Changes in Equity

	Share capital Shs'000	Share premium Shs'000	Translation deficit 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 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 for 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
Year ended 30 September 2008							
At start of year	300,000	84,496	(27,512)	(10,211)	74,909	64,698	421,682
Profit for the year	-	-	-	(4,696)	20,394	15,698	15,698
Foreign exchange translation on long term loan to subsidiary	-	-	10,397	-	-	-	10,397
Dividend paid for 2007	-	-	-	-	(48,000)	(48,000)	(48,000)
At end of year	300,000	84,496	(17,115)	(14,907)	47,303	32,396	399,777

The translation deficit represents the cumulative position of the conversion of the long term loan to a subsidiary company to the reporting currency.

Consolidated Cash Flow Statement

	Notes	2008 Shs'000	2007 Shs'000
Cash flows from operating activities			
Cash generated from operations	29	147,616	139,447
Interest received		18	19
Interest paid		(20,303)	(21,119)
Tax paid		(56,559)	(36,438)
Net cash generated from operating activities		70,772	81,909
Cash flows from investing activities			
Purchase of property, plant and equipment		(75,548)	(56,281)
Proceeds from dispasals of property, plant and equipment		4,381	2,983
Cash outflow on acquisition of subsidiary		(1,868)	-
Net cash used in investing activities		(73,035)	(53,298)
Cash flows from financing activities			
Proceeds from long-term borrowings		48,588	22,583
Proceeds from short-term borrowings		199,452	-
Repayment of lang-term borrowings		(43,655)	(55,548)
Repayment of short-term borrowings		(14,280)	-
Dividend paid		(48,000)	(48,000)
Net cash generated fram/(used in) financing activities		142,105	(80,965)
Increase/(decrease) in cash and cash equivalents		139,842	(52,354)
Cash and cash equivalents at start of year		(146,318)	(96,227)
Effects of exchange rate changes		1,098	2,263
Cash and cash equivalents at end of year	21	(5,378)	(146,318)

Notes to the Consolidated Financial Statements

1. General information

REA Vipingo Plantations Limited (the company) is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya. The address of the registered office is:

Madison Insurance House

Upper Hill Close

P.O. Box 17648-00500

Nairobi

Kenya

The principal activities of the company and its subsidiaries (the group) are described in note 17.

2. Accounting policies

Statement of compliance

The financial statements are prepared in accordance 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 rounded to the nearest thousand (Shs'000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Adoption of new and revised International Financial Reporting Standards

Standards and interpretations effective in the current period

In the current year, the group has adopted IFRS 7 – Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007 and the consequential amendments to IAS 1 – Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital.

The following interpretation issued by the International Financial Reporting Interpretations Committee became effective for the current period.

IFRIC 11 – IFRS 2: Group and Treasury Share Transactions

The adoption of this interpretation did not result in any change to the group's accounting policies.

Standards, amendments to published standards and interpretations not yet effective

At the date of approval of these financial statements, the following new standard, amendments to existing standards and interpretations were in issue but had not been early adopted by the group.

IAS 1 (Revised) – Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009).

IFRS 8 – Operating Segments (effective for accounting periods beginning on or after 1 January 2009).

IAS 16 (Revised) – Property, Plant and Equipment (effective for accounting periods beginning on or after 1 January 2009).

IAS 19 (Revised) – Employee Benefits (effective for accounting periods beginning on or after 1 January 2009).

IAS 23 (Revised) – Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009).

IAS 36 (Revised) – Impairment of Assets (effective for accounting periods beginning on or after 1 January 2009).

Notes to the Consolidated Financial Statements (continued)

2. Accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

IAS 38 (Revised) – Intangible Assets (effective for accounting periods beginning on or after 1 January 2009).

IAS 39 (Revised) – Financial Instruments: Recognition and Measurement (effective for accounting periods beginning on or after 1 January 2009).

IAS 41 (Revised) – Agriculture (effective for accounting periods beginning on or after 1 January 2009).

IFRS 3 (Revised) – Business Combinations (effective for accounting periods beginning on or after 1 July 2009).

IFRS 5 (Revised) – Non-current Assets Held for Sale and Discontinued Operations (effective for accounting periods beginning on or after 1 July 2009).

IAS 27 (Amended) – Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009).

IFRIC 12 – Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008).

IFRIC 13 – Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008).

IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008).

IFRIC 15 – Agreements for Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008).

IFRIC 17 – Distributions of Non-cash Assets to owners (effective for accounting periods beginning on or after 1 July 2009).

The directors do not anticipate that the adoption of these standards and interpretations will have any material impact on the financial statements of the group in the period of initial application.

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.

Acquisitions of subsidiaries by the group are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued by the group at the date of exchange, plus any costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and is measured at cost, being the excess of the cost of acquisition over the net fair value of the group's interest in the identifiable assets, liabilities and contingent liabilities recognised. If the net fair value of the group's interest in the acquired identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition, the excess is recognised immediately in the income statement.

All inter-company 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 17.

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 also the functional currency of the parent company.

Notes to the Consolidated Financial Statements (continued)

2. Accounting policies (continued)

Functional currency and translation of foreign currencies (continued)

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 group's presentation currency are translated into the 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, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used.

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).

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 estimated point-of-sale costs at the point of harvest.

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 accumulated 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.

Assets in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on

Notes to the Consolidated Financial Statements (continued)

2. Accounting policies (continued)

Property, plant and equipment (continued)

the same basis as other assets, commences when the assets are ready for their intended use.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profits and 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.

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 lower of their fair value and 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 and calculated by using tax rates that have been

Notes to the Consolidated Financial Statements (continued)

2. Accounting policies (continued)

Taxation (continued)

enacted or substantively enacted by the balance sheet date.

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 and which are expected to apply in the period in which the liability is settled or the asset realised are used to determine deferred tax.

Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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.

Retirement benefit obligations

The group operates a defined benefit retirement scheme for certain employees. This scheme was closed to new entrants during the year. 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.

During the year the group established a defined contribution retirement benefit scheme for future eligible non-unionisable 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 group has no further obligation, legal or constructive to make further contributions if the scheme does not have sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In addition, the group makes contributions to the National Social Security Funds in the countries of operation, which are statutory defined contribution schemes. The group's obligations under these schemes are legislated from time to time.

The group's contributions in respect of all defined contribution schemes 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

Notes to the Consolidated Financial Statements (continued)

2. Accounting policies (continued)

Investment in subsidiaries (continued)

IAS 21 – The Effects of Changes in Foreign Exchange Rates, the exchange differences arising on such loans are dealt with in the statement of changes in equity.

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.

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 constituting such assets or liabilities.

Trade receivables

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts. Bad debts are written off in the period in which they are identified as irrecoverable.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term deposits with original maturities of three months or less.

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.

Share Capital

Ordinary shares are classified as equity.

Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost using the effective interest rate method. Any difference between the net proceeds and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

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 to the Consolidated Financial Statements (continued)

3. 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgement in applying the group's accounting policies and sources of estimation uncertainty are dealt with below:

(a) Critical judgements in applying accounting policies

There are no critical judgements, apart from those involving estimations (see b below), that the directors have made in the process of applying the group's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

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 a 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 14.

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. Certain transactions may arise for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Contingent liabilities

The group is exposed to various contingent liabilities in the normal course of business. The directors evaluate the status of these exposures on a regular basis to assess the probability of the group incurring related liabilities. However, provisions are only made in the financial statements where, based on the director's evaluation, a present obligation has been established.

Notes to the Consolidated Financial Statements (continued)

4. Financial risk management

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

The group's risk management policies are approved by the board of directors who also give guidance to management on the operation of these policies.

Categories of financial instruments	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets				
Receivables including cash and cash equivalents	447,743	215,921	114,867	125,853
Financial liabilities				
Loans and payables excluding deferred tax and post employment benefits obligation.	571,160	308,182	546,848	115,055
Equity instruments				
Issued and fully paid up ordinary share capital	300,000	300,000	300,000	300,000

Market risk

The activities of the group expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. There has been no change during the year to the group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign exchange risk

Sales of sisal fibre, yarn and twine are undertaken primarily in United States Dollars on terms agreed by forward contract. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Operating expenses of the group are primarily payable in local currencies. Foreign currency receipts are therefore converted into local currencies on an ongoing basis. The group does not normally enter into forward foreign exchange contracts for the conversion of foreign currency into local currency.

At the end of the year, the carrying amounts of foreign currency denominated assets and monetary liabilities were as follows:

Notes to the Consolidated Financial Statements (continued)

4. Financial risk management (Continued)

	Assets		Liabilites	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
US Dollars	323,788	117,329	261,143	30,923
Sterling Pound	-	-	9,764	10,000
	323,788	117,329	270,907	40,923
Company				
US Dollars	29,165	49,953	304,356	25,646

Foreign currency sensitivity analysis

The principal foreign currency exposure relates to the fluctuation of the functional currencies of the group against foreign currencies, primarily the United States Dollar.

The following table details the group's sensitivity to a 5% increase or decrease of the Kenya Shilling against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans.

	US Dollar Impact		Pound Sterling Impact	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
Profit or loss	3,132(i)	4,320 (i)	(488) (ii)	(500) (ii)
Company				
Profit or loss	(13,760) (iii)	1,215(i)	-	-

(i) Indicates the increase in profit of a weakening of the Kenya Shilling against the US Dollar by 5%. A strengthening of the Kenya Shilling against the US Dollar by 5% would result in a reduction in profit of the same amount.

(ii) Indicates the reduction in profit of a weakening of the Kenya Shilling against the Sterling Pound by 5%. A strengthening of the Kenya Shilling against the Sterling Pound by 5% would result in an increase of the same amount.

(iii) Indicates the reduction in profit of a weokening of the Kenya Shilling against the US Dollar by 5%. A strengthening of the Kenya Shilling against the US Dollar by 5% would result in an increase in profit of the same amount.

The sensitivity analysis relates to outstanding foreign currency denominated monetary items at the year end only and is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements (continued)

4. Financial risk management (Continued)

Interest rate risk

The group is exposed to interest rate risk as it has borrowings at variable interest rates.

Interest rate sensitivity analysis

The sensitivity analysis has been prepared on the assumption that the outstanding balance of borrowings at variable interest rates at the balance sheet date remained constant for the whole year.

If interest rates had been 1% higher/lower and all other variables remained constant, the profit before tax for the year would have decreased/increased by:

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
	4,488	2,065	2,844	795

Credit risk

Credit risk is the risk of financial loss in the event that a customer or counter-party to a financial instrument fails to meet its contractual obligations.

The majority of the sales of sisal fibre and yarns are made to an associated company, Wigglesworth & Company Limited. Wigglesworth & Company Limited is a long-established international sisal merchant. The normal credit period for sales to Wigglesworth & Company Limited is 30 days from the date of shipment. Other customers are assessed for credit worthiness on an individual basis. Customers who are unable to meet the criteria for creditworthiness are supplied on a prepayment basis.

Included in trade receivables are debtors which are past due at the reporting date and for which no provision for impairment has been made as there has been no change in the credit quality and past experience indicates that payment will be received.

Notes to the Consolidated Financial Statements (continued)

4. Financial risk management (Continued)

Credit risk (continued)

The amount that best represents the maximum exposure to credit risk is made up as follows:

Group

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2008			
Cash and cash equivalents	187,251	-	-
Trade receivables	3,416	1,393	-
Related party receivables	157,452	-	-
Others	98,231	-	-
Total	446,350	1,393	-
2007			
Cash and cash equivalents	7,264	-	-
Trade receivables	9,762	886	-
Related party receivables	110,102	-	-
Others	87,907	-	-
Total	215,035	886	-

Notes to the Consolidated Financial Statements (continued)

4. Financial risk management (Continued)

Credit risk (continued)

Company

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000
2008			
Cash and cash equivalents	17,300	-	-
Trade receivables	276	298	-
Related party receivables	69,574	-	-
Others	27,419	-	-
Total	114,569	298	-
2007			
Cash and cash equivalents	4,539	-	-
Trade receivables	1,450	206	-
Related party transactions	89,249	-	-
Others	30,409	-	-
Total	125,647	206	-

Notes to the Consolidated Financial Statements (continued)

4. Financial risk management (Continued)

Credit risk (continued)

Cash and cash equivalents are fully performing.

The customers under the fully performing category are paying their debts as they continue trading.

The default rate is low.

The debt that is overdue is not impaired and continues to be paid.

No amounts are considered to be impaired.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the financial liabilities that will be settled on a net basis into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
Group				
At 30 September 2008				
Borrowings	416,056	19,580	13,150	-
Trade and other payables	122,374	-	-	-
Total financial liabilities	538,430	19,580	13,150	-
At 30 September 2007				
Borrowings	191,494	11,133	3,857	-
Trade and other payables	101,698	-	-	-
Total financial liabilities	293,192	11,133	3,857	-

Notes to the Consolidated Financial Statements (continued)

4. Financial risk management (Continued)

Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company				
At 30 September 2008				
Borrowings	272,020	9,528	2,819	-
Trade and other payables	262,481	-	-	-
Total financial liabilities	534,501	9,528	2,819	-
At 30 September 2007				
Borrowings	66,611	8,982	3,857	-
Trade and other payables	35,605	-	-	-
Total financial liabilities	102,216	8,982	3,857	-

Banking facilities

Bank loans and overdrafts payable at call and reviewed annually

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Amounts utilised	404,853	206,484	240,435	79,451
Amounts unutilised	72,030	41,018	29,937	5,762
Total available facilities	476,885	247,502	270,372	85,213

Banking facilities are secured by first legal charges and debentures over certain of the group's immovable properties and other assets. The carrying values at the end of the year of the assets subject to such charges were:

Notes to the Consolidated Financial Statements (continued)

4. Financial risk management (Continued)

Banking facilities (continued)

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
	1,175,966	1,152,480	979,732	570,084

Defined benefit retirement scheme obligations

The group has certain legal commitments relating to the defined benefit retirement scheme. The following factors could all serve to increase or decrease the retirement benefit scheme deficit.

Future investment returns on scheme assets that are either above or below expectations.

Changes in actuarial assumptions including mortality of participating members.

Higher or lower rates of inflation and/or rising or falling bond returns rates used to discount the defined benefit obligation.

Changes in future funding contributions may affect future net assets and results of operations.

Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

There were no changes in the group's approach to capital management during the year.

The capital structure of the group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent company; comprising issued capital, reserves and retained earnings.

The gearing ratio at the balance sheet date was as follows:

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
Total borrowings	448,786	206,484	284,367	79,450
Cash and cash equivalents	(187,251)	(7,264)	(17,300)	(4,539)
Net borrowings	261,535	199,220	267,067	74,911
Total equity	875,166	709,165	399,777	421,682
Net borrowings to equity ratio	30%	28%	67%	10%

Notes to the Consolidated Financial Statements (continued)

5. 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 2008			
Sales revenue	1,026,524	329,904	1,356,427
Profit before tax	200,219	27,000	227,219
Segment assets	1,444,038	160,360	1,604,398
Segment liabilities	591,380	42,038	633,418
Year ended 30 September 2007			
Sales revenue	928,220	304,760	1,232,980
Profit before tax	150,833	16,952	167,785
Segment assets	1,035,729	122,774	1,158,503
Segment liabilities	325,333	36,746	362,079

(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 2008			
Sales revenue	745,351	611,076	1,356,427
Profit before tax	142,077	85,142	227,219
Segment assets	1,063,311	541,087	1,604,398
Segment liabilities	536,938	96,480	633,418
Year ended 30 September 2007			
Sales revenue	733,165	499,815	1,232,980
Profit before tax	100,072	67,713	167,785
Segment assets	717,241	441,262	1,158,503
Segment liabilities	284,504	77,575	362,079

Segment assets and liabilities exclude all assets and liabilities relating to deferred and current tax.

Notes to the Consolidated Financial Statements (continued)

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

	Group 2008 Shs'000	2007 Shs'000
Revenue from sale of sisal fibre	1,026,524	928,220
Fair value adjustment of biological assets (Note 14)	16,266	12,441
Net increase in actual costs of biological assets	(113,450)	(91,479)
Net increase in sisal fibre stocks at fair value	46,648	35,585
Operating income in respect of sisal cultivation	975,988	884,767

7. Profit before tax

The profit before tax is arrived at after charging:

Depreciation on property, plant and equipment (Note 13)		52,446	49,343
Amortisation of leasehold land (Note 15)		119	119
Operating lease payments		5,419	5,703
Staff costs (Note 8)		432,143	371,749
Auditors' remuneration	- group	4,980	4,500
	- company	1,500	1,500
Directors' remuneration	- fees	998	876
	- for management services	30,754	28,278
Company:	- fees	998	976
	- for management services	16,805	15,692
Profit on disposal of property, plant and equipment		(4,055)	(2,408)

8. Staff costs

Salaries and wages	378,220	322,933
Social security costs	17,110	11,525
Pension contributions –defined benefit scheme	5,334	5,004
Pension contributions – defined contribution scheme	157	-
Gratuity and other terminal benefits	13,162	17,129
Medical	18,160	15,158
	432,143	371,749

Notes to the Consolidated Financial Statements (continued)

9. Finance costs – net

	Group 2008 Shs'000	2007 Shs'000
Interest income	(18)	(19)
Net foreign exchange losses	4,492	8,228
Interest expense	20,303	21,119
	24,777	29,328

10. Tax

(a) Tax charge

Current tax	72,141	49,465
Deferred tax (credit)/charge (Note 24)	(13,075)	3,018
	59,066	52,483

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 2008 Shs'000	2007 Shs'000
Profit before tax	227,219	167,785
Tax calculated at the domestic rates applicable to profits in the countries concerned	68,166	50,335
Tax effect of:		
Income not subject to tax	(10,515)	-
Expenses not deductible for tax purposes	4,414	3,150
(Overprovision)/underprovision of deferred tax in prior year	(3,070)	243
Underprovision/(overprovision) of current tax in prior year	71	(1,245)
Tax charge	59,066	52,483

Notes to the Consolidated Financial Statements (continued)

10. Tax (continued)

(b) Tax movement

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	(3,118)	(16,595)	(1,321)	(4,460)
Acquisition of subsidiary	(801)	-	-	-
Current year charge/(credit)	72,141	49,465	(2)	3,139
Tax paid	(56,559)	(36,438)	(8)	-
Translation adjustment	(145)	450	-	-
At end of year	11,518	(3,118)	(1,331)	(1,321)

Balances at year end

	Group 2008	Group 2007	Company 2008	Company 2007
Tax recoverable	(4,492)	(7,320)	(1,331)	(1,321)
Tax payable	16,010	4,202	-	-
	(11,518)	(3,118)	(1,331)	(1,321)

11. Earnings per share

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

	Group	
	2008	2007
Profit for the year (Shs '000)	168,153	115,302
Average number of ordinary shares (thousands)	60,000	60,000
Basic and diluted earnings per share (Shs)	2.80	1.92

There were no potentially dilutive ordinary shares outstanding at 30 September 2008 and at 30 September 2007. Diluted earnings per share is therefore the same as basic earnings per share.

12. Dividends

At the annual general meeting to be held on 27 March 2009, a first and final dividend in respect of the year ended 30 September 2008 of Shs 0.20 (2007:Shs 0.80) per share amounting to a total of She 12,000,000 (2007: 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 to the Consolidated Financial Statements (continued)

13. 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 2006	49,500	85,235	426,530	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	-	(395)	(5,997)	(148)	(6,540)
At 30 September 2007	49,500	96,668	455,436	4,181	605,785
At 1 October 2007	49,500	96,668	455,436	4,181	605,785
Additions	-	4,058	52,568	18,922	75,548
Transfers	-	8,922	-	(8,922)	-
Disposals	-	-	(12,666)	-	(12,666)
Translation adjustment	-	2,025	25,429	1,248	28,705
At 30 September 2008	49,500	111,673	520,767	15,429	697,369
Depreciation					
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
At 1 October 2007	-	12,271	295,953	-	308,224
Charge for the year	-	1,970	50,476	-	52,446
Eliminated on disposals	-	-	(12,340)	-	(12,340)
Translation adjustment	-	192	14,004	-	14,196
At 30 September 2008	-	14,433	348,093	-	362,526
Net book amount					
At 30 September 2008	49,500	97,240	172,674	15,429	334,843
At 30 September 2007	49,500	84,397	159,483	4,181	297,561

Included in property, plant and equipment are assets with an original cost of Shs 179,880,000 (2007: Shs 161,051,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 32,503,000 (2007: Shs 29,134,000).

Notes to the Consolidated Financial Statements (continued)

13. Property, plant and equipment (continued)

Company

	Freehold land	Buildings	Plant and machinery	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost					
At 1 October 2006	45,000	29,278	129,330	496	204,104
Transfers	-	4,873	325	(5,198)	-
Additions	-	128	12,661	7,724	20,513
Disposals	-	-	(5,374)	-	(5,374)
At 30 September 2007	45,000	34,279	136,942	3,022	219,243
At 1 October 2007	45,000	34,279	136,942	3,022	219,243
Additions	-	640	24,933	1,585	27,158
Transfers	-	3,840	-	(3,840)	-
Disposals	-	-	(4,811)	-	(4,811)
At 30 September 2008	45,000	38,759	157,064	767	241,590
Depreciation					
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
At 1 October 2007	-	5,746	92,152	-	97,898
Charge for the year	-	685	17,412	-	18,097
Eliminated on disposals	-	-	(4,485)	-	(4,485)
At 30 September 2008	-	6,431	105,079	-	111,510
Net book amount					
At 30 September 2008	45,000	32,328	51,985	767	130,080
At 30 September 2007	45,000	28,533	44,790	3,022	121,345

Included in property, plant and equipment are assets with an original cost of Shs 48,363,000 (2007:Shs 49,444,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 9,072,000 (2007:Shs 9,443,000).

Based on an impairment review performed by the directors at 30 September 2008, no indications of impairment of property, plant and equipment were identified. (2007:none).

Notes to the Consolidated Financial Statements (continued)

14. Biological Assets

Sisal plants and nurseries

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Carrying amount at start of year	293,527	288,004	52,751	66,964
Loss arising from changes in fair value attributable to physical changes	(123,487)	(74,158)	(12,197)	(37,882)
Gain/(loss) arising from changes in fair value attributable to price changes of sisal fibre	103,994	175,035	(1,811)	55,870
Gain/(loss) arising from changes in fair value attributable to changes in exchange rate	35,759	(88,436)	7,300	(32,201)
Net fair value gain/(loss)	16,266	12,441	(6,708)	(14,213)
Translation adjustment	17,943	(6,918)	-	-
Carrying amount at end of year	327,736	293,527	46,043	52,751

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

- Sisal plants will have an average productive life of 8 years.
- Future production and sales estimates are based on budgets approved by the directors and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- 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 to the Consolidated Financial Statements (continued)

15. Prepaid operating lease rentals

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
At beginning of year	102,057	102,194	17,325	17,344
Amortisation	(119)	(119)	(18)	(19)
Translation adjustment	59	(18)	-	-
Acquisition of subsidiary (Note 16)	37,710	-	-	-
At end of year	139,707	102,057	17,307	17,325

The group holds various leasehold land titles which are amortised over the period of the lease, the remaining periods of which range from 53 years to over 900 years.

16. Business combination

On 26 September 2008, the group acquired 100 per cent of the issued share capital of Vipingo Estate Limited for a total consideration of Shs 369,702,000.

The net assets of Vipingo Estate Limited at the date of acquisition were as follows:

	Fair value Shs'000	Acquirees's carrying amount Shs'000
Prepaid operating lease rentals	37,710	12,123
Investment in unquoted shares	15,251	15,251
Receivables from vendors	206,089	206,089
Other receivables	15,054	15,054
Taxation asset	801	801
Payables	(605)	(605)
Cash and cash equivalents	161,746	161,746
Net assets acquired	436,046	410,459
Cost of acquisition	369,702	
Fair value gain on acquisition	66,344	
Deferred tax on fair value gain	7,676	
Net fair value gain	58,668	
Cost of acquisition:		
Cash consideration	163,613	
Assignment of receivables from vendor	206,089	
Total cost of acquisition	369,702	

Notes to the Consolidated Financial Statements (continued)

16. Business combination (continued)

	Shs'000
Cash outflow on acquisition	
Cash consideration	163,613
Cash and cash equivalents acquired	161,746
Cash outflow on acquisition	1,868

17. Investment in subsidiaries

	Company 2008 Shs'000	2007 Shs'000
Shares in subsidiaries at cost	503,919	134,175
Long term receivable from subsidiary	78,551	68,154
	582,470	202,329

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
Vipingo Estate Limited	Kshs 10,000	Kenya	Property holding

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 dealt with through the statement of changes in equity.

The company has resolved to transfer the entire issued share capital of Dwa Estate Limited to Vipingo Estate Limited. The purchase consideration will be the net carrying value of the assets and liabilities of Dwa Estate Limited at 30th September 2008. A Share Purchase Agreement to give effect to this transaction had not been signed at the date of approval of these Financial Statements. A payment of $2,234,052 was made by Vipingo Estate Limited on 3rd October 2008 pending final settlement.

Notes to the Consolidated Financial Statements (continued)

18. Investment in unquoted shares

	Group 2008 Shs'000	2007 Shs'000
1,000 shares in Vipinga Beach Limited at cost	15,251	-

19. Inventories

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
Sisal fibre at fair value	162,874	107,864	41,303	32,189
Finished goods at cost	27,653	16,203	-	-
Finished goods at net realisable value	1,336	7,658	-	-
Stores and raw materials at cost less provision	147,255	117,712	24,004	16,971
	339,118	249,437	65,307	49,160

20. Receivables and prepayments

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
Trade receivables	4,809	10,648	574	1,656
Prepayments	13,188	11,990	3,173	4,266
Amounts due from related parties	157,452	110,102	29,231	50,033
Amounts due from group companies	-	-	40,343	39,216
VAT recoverable	60,161	71,260	23,743	24,776
Other receivables	24,882	4,657	503	1,367
	260,492	208,657	97,567	121,314

21. Cash and cash equivalents

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
Cash at bank and in hand	187,251	7,264	17,300	4,539

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

	Group 2008 Shs'000	2007 Shs'000
Cash and bank balances as above	187,251	7,264
Bank overdrafts (Note 23)	(192,629)	(153,582)
	(5,378)	(146,318)

Notes to the Consolidated Financial Statements (continued)

22. Share capital

Authorised, issued and fully paid	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 October 2006, 1 October 2007 and 30 September 2008	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.

23. Borrowings

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
Total borrowings	448,786	206,484	284,367	79,450
Less: current portion	(416,056)	(191,494)	(272,020)	(66,611)
Non-current portion	32,730	14,990	12,347	12,839

The borrowings are made up as follows:

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
Non-current				
Bank loans	32,730	14,990	12,347	12,839
Current				
Bank overdrafts	192,629	153,582	60,213	48,267
Bank loans	179,495	37,912	167,875	18,344
Related party (Note 30)	43,932	-	43,932	-
	416,056	191,494	272,020	66,611
Total borrowings	448,786	206,484	284,367	79,450

Notes to the Consolidated Financial Statements (continued)

23. Borrowings (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
Bank overdrafts	107,041	30,608	54,980	192,629
Bank loan	55,764	2,699	153,762	212,225
Related party loan	-	-	43,932	43,932
	162,805	33,307	252,674	448,786
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

Company

	Borrowings in Kshs Shs'000	Borrowings in USD Shs'000	Total Shs'000
2008			
Bank overdrafts	28,674	31,539	60,213
Bank loans	26,460	153,762	180,222
Related porty loon	-	43,932	43,932
	55,134	229,233	284,367
2007			
Bank overdrafts	23,873	24,394	48,267
Bank loans	31,183	-	31,183
	55,056	24,394	79,450

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.

The related party loan relates to on unsecured loan of US$800,000 received from Wigglesworth & Company Limited. Interest on the loan is charged at 2.75% above the US Federal Reserve Rate. The loan is to be repaid in 4 monthly instalments of US$200,000. In accordance with the agreement, the first repayment instalment wos made on 30th September 2008.

Notes to the Consolidated Financial Statements (continued)

23. Borrowings (continued)

	Group 2008	2007	Company 2008	2007
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	11.5%	10.1%	10.0%	9.5%
-bank loans – Kshs	11.0%	9.6%	10.0%	9.5%
-bank overdrafts – Tshs	11.0%	12.50%	-	-
-bank loans – Tshs	12.7%	13.0%	-	-
-bank overdrafts – US$	5.9%	7.1%	6.4%	7.1%
- bank loans – US$	6.4%	-	6.4%	-
- related party – US$	4.7%	-	4.7%	-

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
Maturity of non-current loans				
Between 1 and 2 years	19,580	11,133	9,528	8,982
Between 2 and 5 years	13,150	3,857	2,819	3,857
	32,730	14,990	12,347	12,839

Notes to the Consolidated Financial Statements (continued)

24. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2007: 30%). The movement on the deferred tax account is as follows:

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
At start of year	90,377	89,985	4,007	9,083
Income statement charge/(credit) (Note 10)	(13,075)	3,018	(26,334)	(5,076)
Translation adjustment	6,994	(2,626)	-	-
At end of year	84,296	90,377	(22,327)	4,007

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

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
Deferred tax assets	(23,074)	(762)	(22,327)	-
Deferred tax liabilities	107,370	91,139	-	4,007
	84,296	90,377	(22,327)	4,007

Notes to the Consolidated Financial Statements (continued)

24. 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	1.10.2007	Charged/ (credited) to income statement	Translation adjustment	30.9.2008
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Property, plant and equipment	33,512	2,109	2,598	38,219
Biological assets	88,058	4,881	5,383	98,322
Agricultural produce	3,136	(3,136)	-	-
Acquisition of subsidiary	-	7,676	-	7,676
	124,706	11,530	7,981	144,217
Deferred tax assets				
Provisions	(34,329)	(2,808)	(987)	(38,124)
Tax losses carried forward	-	(21,797)	-	(21,797)
	(34,329)	(24,605)	(987)	(59,921)
Net deferred tax liability	90,377	13,075	6,994	84,296

Company	1.10.2007	Charged/ (credited) to income statement	30.9.2008
	Shs'000	Shs'000	Shs'000
Deferred tax liabilities			
Property, plant and equipment	6,061	849	6,910
Biological assets	15,825	(2,012)	13,813
Agricultural produce	1,647	(1,647)	-
	23,533	(2,810)	20,723
Deferred tax assets			
Provisions	(19,526)	(1,727)	(21,253)
Tax losses	-	(21,797)	(21,797)
	(19,526)	(23,524)	(43,050)
Net deferred tax liability/(asset)	4,007	(26,334)	(22,327)

Notes to the Consolidated Financial Statements (continued)

25. Post employment benefit obligations

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
Post employment benefit obligations comprise:				
(a) Staff retirement gratuity	62,193	53,832	33,064	29,297
(b) Defined benefit scheme liability	65	65	43	43
	62,258	53,897	33,107	29,340

(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 terminotion of such services or retirement. The movement in the liability during the year is shown below:

	Group 2008 Shs'000	2007 Shs'000	Company 2008 Shs'000	2007 Shs'000
At start of year	53,832	42,069	29,297	23,396
Charged to profit and loss account	11,781	15,255	6,309	8,465
Utilised during year	(4,048)	(3,463)	(2,542)	(2,564)
Translation adjustment	628	(29)	-	-
At end of year	62,193	53,832	33,064	29,297

(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:

	2008 Shs'000	2007 Shs'000
Present value of funded obligations	82,855	73,117
Fair value of scheme assets	(81,231)	(70,483)
Net under funding in funded plan	1,624	2,634
Unrecognised actuarial loss	(1,559)	(2,569)
Net liability in the balance sheet	65	65

Notes to the Consolidated Financial Statements (continued)

25. Post employment benefit obligations (continued)

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

	2008 Shs'000	2007 Shs'000
Current service cost net of employees' contributions	3,573	2,824
Interest on obligation	7,437	6,619
Expected return on plan assets	(7,260)	(6,304)
Net actuarial loss recognised in the year	1,584	1,865
Net charge for the year included in staff costs	5,334	5,004
Contributions paid	(5,334)	(5,004)
Movement in the liability recognised in the balance sheet	-	-

The principal actuarial assumptions used were as follows:

	2008	2007
- discount rate	10%	10%
- expected rate of return on scheme assets	10%	10%
- future salary increases	8%	8%
- future pension increases	0%	0%

The defined benefit pension scheme was closed to new entrants during the course of the year and the group established a defined contribution retirement benefit scheme for future eligible non-unionisable employees. The group contributed Shs 157,000 to this scheme during the year (2007: nil) which has been charged to the income statement.

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 2008, the group contributed Shs 17,110,000 (2007:Shs 11,525,000) which has been charged to the income statement.

26. Payables and accrued expenses

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
Trade payables	62,258	49,515	20,065	16,750
Amounts due to related parties (Note 30)	14,607	11,908	3,366	1,252
Amounts due to group companies	-	-	221,062	2,087
Provision for leave pay	15,259	14,379	6,818	6,399
Accrued expenses	22,184	19,439	7,289	5,684
Other payables	8,066	6,457	3,881	3,433
	122,374	101,698	262,481	35,605

Notes to the Consolidated Financial Statements (continued)

27. Contingent liabilities

There are ongoing legal claims for specific damages which have been brought against a subsidiary company by former employees. Based upon legal opinions received, the directors do not anticipate that these claims will result in significant losses to the company.

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.

28. Commitments

Capital commitments

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

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
Authorised and contracted for	9,073	16,838	-	10,141

Operating lease commitments

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

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
Not later than 1 year	3,904	5,184	1,106	2,519
Between 2 and 5 years	7,235	11,084	241	1,758
	11,139	16,268	1,347	4,277

Notes to the Consolidated Financial Statements (continued)

29. Note to the cash flow statement

	2008 Shs'000	2007 Shs'000
Reconciliation of profit before tax to cash generated from operations:		
Profit before tax	227,219	167,785
Adjustments for:		
Finance costs recognised in the profit for the year	24,777	29,328
Depreciation (Note 13)	52,446	49,343
Fair value adjustment of biological assets (Note 14)	(16,266)	(12,441)
Amortisation of prepaid operating lease rentals (Note 15)	119	119
Profit on sale of property, plant and equipment	(4,055)	(2,408)
Net foreign exchange losses (Note 9)	(4,492)	(8,228)
Fair value gain on acquisition of subsidiary (Note 16)	(66,344)	-
Operating profit before working capital changes	213,404	223,498
Working capital changes:		
- receivables and prepayments	(23,820)	(63,252)
- inventories	(64,747)	(49,085)
- payables and accrued expenses	15,046	16,494
- post employment benefit obligations	7,733	11,792
Cash generated from operations	147,616	139,447

30. 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.

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

Afchem Limited ceased to be a related party on 30th November 2007.

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 to the Consolidated Financial Statements (continued)

30. Related party transactions (continued)

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

i) Sales of goods and services

	Group 2008 Shs'000	2007 Shs'0000
Sale of sisal fibre and yarns		
Wigglesworth & Company Limited	1,150,393	1,046,662
Management services		
Afchem Limited	120	720

ii) Purchase of management and legal services

Kaplan & Strattan	735	185
REA Services Limited	-	153
REA Trading Limited	2,849	2,576
	3,584	2,914

iii) Interest paid

Wigglesworth & Company Limited	1,808	812

iv) Key management compensation

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

Salaries and other benefits	48,966	43,650

iv) Outstanding balances

Current receivables		
Afchem Limited	-	80
Wigglesworth & Company Limited	157,386	110,022
East African Forestry Limited	66	-
	157,452	110,102
Current payables		
Wigglesworth & Company Limited – current account	14,607	11,908
Wigglesworth & Company Limited - loan	43,932	-
	58,539	11,908

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

Notes

Notes

Form of Proxy

Rea Vipingo Plantations

I/We ______________________________

of ______________________________

being a Member/Members of the above named company, hereby appaint ______________

ar 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 Company to be held on the 27th of March 2009 and at any adjournment thereof.

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

Signature ______________________ Date ______________ 2009

This form is to be used* in favour of/against the resolutions. Unless otherwise instructed 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 Close, P.O.Box 17648, Nairobi - 00500 so as to arrive no later than 10:00am on Thursday 26th March 2009.

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 17648-00500
Nairobi
Kenya

Third fold and tuck in edge

First Fold