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Company Information

Directors The directors of the company are as follows:

Oliver Fowler — *Chairman*, aged 52, 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.

Neil Cuthbert — *Managing*, aged 49, has been managing director since late 2000 having previously been group general manager. He has had overall responsibility for the Kenya estates since the formation of the company and has worked for the REA group in Kenya since 1979.

Richard Robinow — Aged 59, has been a director of R.E.A. Holdings plc since 1978 and chairman since 1984. After an initial career in merchant banking, he has been involved in the plantation business since 1974. He is a non-executive director of Sipef SA and Rowe Evans Investments plc which are listed on stock exchanges in, respectively, Belgium and London, and own and operate plantations in various parts of the world.

Musa Sang — Aged 69, 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.

Vivienne Apopo — Aged 40, has been secretary to the board and director of legal affairs of East African Development Bank since early 2003. She was previously principal counsel of African Development Bank in Abidjan, Cote d'Ivoire.

Secretary and registered office

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

Registrars and transfer office

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

Auditors

Deloitte & Touche,
"Kirungii", Ring Road, Westlands,
P.O. Box 40092, Nairobi

Notice of meeting

Notice is hereby given that the tenth annual general meeting of the company will be held at Holiday Inn, Mayfair Court Hotel, Parklands Road, Nairobi on Friday 18 March 2005, at 10.00 a.m. for the following purposes:

As ordinary business:

1. To receive and consider the company's annual report and financial statements for the year ended 30 September 2004.
2. To approve the payment of a first and final dividend for the year ended 30 September 2004 of shs 0.80 per share payable on or about 31 May 2005 to shareholders registered at the close of business on 25 March 2005.
3. To elect directors.
4. To approve the directors' remuneration for the year ending 30 September 2005.
5. To note that Deloitte & Touche continue as auditors under the provisions of section 159(2) of the Companies Act.
6. To authorise the directors to negotiate the auditors' remuneration.

By order of the board

I R HODSON
Secretary
20 January 2005

Note:

Election of directors
Article 82E states as follows:

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

Corporate Governance *(continued)*

Directors' interest

The interest of the directors in the shares of the company at 30 September 2004 were as follows:

Name of director	Number of 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 34,570,425 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%
Unitbuckle Holdings Limited	6,537,574	10.90%
REA Trading Limited	5,808,535	9.69%
East African Development Bank	2,839,286	4.73%
Mr. N.R. Cuthbert	1,375,292	2.29%
Jonathan Leakey Limited	871,429	1.45%
Mr. J.B. Emmett	651,419	1.08%
Mr. M.K.K. Shah	606,776	1.01%
Prime Securities Investments Trust	529,278	0.88%
Ogura Trading Company Limited	514,286	0.85%
	41,614,620	69.35%
4,791 other shareholders	18,385,380	30.65%
	60,000,000	100.00%

Distribution of shareholders

Shareholding (Number of shares)	Number of Shareholders	Number of shares held	Percentage of issued capital
Less than 500	916	175,177	0.29%
500-5,000	3,398	4,857,212	8.10%
5,001-10,000	197	1,399,331	2.33%
10,001-100,000	246	6,033,577	10.06%
100,001-1,000,000	39	9,093,271	15.15%
Above 1,000,000	5	38,441,432	64.07%
	4,801	60,000,000	100.00%

statement

I am very pleased to be able to report a further significant improvement in the fortunes of the company.

Despite all estates experiencing less than ideal rainfall distribution during the year, and Vipinga receiving below average total rainfall, sisal fibre volumes were, at 14,171 tonnes, marginally above the previous year.

Sisal fibre prices continued to strengthen during the year under review and sales were excellent, largely thanks to our strong position in the market. The group worked, and continues to work, with virtually no unshipped fibre stock.

The Tanga spinning mill has continued to perform satisfactorily and returned a useful operating profit. During the year some limited investment was made in machinery for the mill to enable us to produce a wider range of products in a greater volume and the mill is now well positioned to service more markets with a large range of products.

The group adopted International Accounting Standard No. 41 – Agriculture during the year. In accordance with the provisions of this standard, the biological assets (sisal plants) and agricultural produce (sisal fibre) have been stated at fair values less estimated point of sale costs. Biological assets were previously stated at cost less a provision for amortisation. Agricultural produce was previously stated at the lower of cost and net realisable value.

Turnover increased during the year under review by 21% to Ksh 873 million and operating profit improved significantly to Ksh 201 million. Profit before tax was Ksh 178 million, a most satisfactory result.

In view of the continued improvement in results, your board recommends a payment of a first and final dividend of shs 0.80 per share.

Turning to the current year, the sisal fibre market remains strong but has reached a point where further price improvement is most unlikely. The significant increase in prices that has occurred over the past 18 months or so has created a situation where certain smaller niche markets are able to pay, at times, significantly more than some of the major traditional bulk buyers of fibre. As the largest producer of African sisal by some considerable margin, the group is well positioned in all markets. The current weakness of the United States dollar, the currency in which we trade, is disappointing.

Fibre volumes this year will depend, as they always do, upon climatic conditions but I am pleased to report that the recent short rains have been satisfactory at all locations and, as a result, all estates are well set for the immediate term.

As a result of new marketing initiatives, the mill is well sold and can expect to remain reasonably busy for the remainder of the year. Some further investment is currently taking place at the mill in order to increase volumes and further diversify our product range.

Provided the April rains are satisfactory enough to enable fibre volumes to be sustained at current levels and our large scale buyers of sisal fibre are able to continue to purchase at current volumes and price levels, your directors are confident that the group will continue to progress.

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

OLIVER FOWLER

CHAIRMAN

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2004 and crops are stated for the whole year ended on that date and referred to as the 2004 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:

Mature sisal	2,788
Immature sisal	1,086
Nurseries	65
Other areas	5,051
	8,990

The production of sisal fibre at Dwa was, in the circumstances, fair at 4,935 tonnes (2003 – 5,043 tonnes). The poor distribution of the rains generally, and in particular the disappointing April rains resulted in less leaf availability towards the end of the second and fourth quarters.

Providing the estate receives a reasonable rainfall distribution this year, it is expected that production will increase slightly.

The bulk of planting is carried out at Dwa prior to the November rains, historically the more reliable in the area, and a total of 390 hectares was planted in October 2003. In March 2004 some 42 hectares was also planted.

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:

Mature sisal	1,876
Immature sisal	648
Nurseries	50
Other areas	1,376
	3,950

Vipingo had a satisfactory year with a production of 4,780 tonnes (2003 – 4,875 tonnes) which was achieved despite an almost total failure of April/May rains. Fortunately, however, the estate did receive some unseasonal rain in July and August which enabled the estate to maintain almost normal production levels in the final quarter.

Subject to normal climatic conditions prevailing, it is expected that Vipingo will continue to produce at current levels.

Planting at Vipingo is carried out prior to the May rains and some 235 hectares was planted in 2004.

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:

Mature sisal	1,992
Immature sisal	1,008
Nurseries	70
Other areas	7,800
	10,870

Sisal fibre production on the Tanzanian estates continued to improve during the year with output from both estates increasing further. The total volume from the two estates was 4,456 tonnes (2003 – 4,120 tonnes) with Mwera estate producing nearly 11% more fibre than the previous year.

Substantial investment is currently being made at the Sakura estate with the installation of a second decorticator unit and associated infrastructure.

Provided the estates receive an adequate rainfall distribution, production will continue to rise over the next few years.

Planting in Tanzania is carried out prior to the May rains and a total of 387 hectares (2003 – 314 hectares) was planted.

Amboni Spinning Mill Limited

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

During the year some limited investment was made in equipment to enable the mill to produce a wider variety of products and further investment is being made during the current year in order to increase capacity in certain key areas, as well as to provide further product variety.

The investments made in the mill, coupled with an aggressive marketing strategy, has resulted in a much improved cross section of buyers and the immediate prospects for the mill remain encouraging.

Overall production from the mill was 2,081 tons (2003 – 2,198).

Marketing

Exported sisal fibre and products from the group's estates and the Tanga spinning mill have, since the formation of the group, been sold through a related company, Wigglesworth & Co and this arrangement continued through the year to 30 September 2004. Wigglesworth & Co, which is a leading international sisal merchant, continued to develop the existing traditional markets for the group products and to exploit further the developing niche markets for the quality fibre and yarns that the group is able to produce.

Directors' report

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 30 September 2004 which disclose the state of affairs of the group and the company.

Incorporation and registered office

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

Principal activities

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

Results and dividend

The group net profit for the year of Shs 128,666,000 has been added to revenue reserves.

The directors recommend the payment of a dividend amounting to Shs 48,000,000 (2003: Shs 24,000,000).

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 facuses 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 Rabinaw	British	
M arap Sang	Kenyan	
V A Y Apopa	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
20 January 2005

responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of the financial affairs of the group and the company as at the end of the financial year and of the group's operating results for that year. It also requires the directors to ensure the group companies keep proper accounting records which disclose with reasonable accuracy the financial position of the companies. They are also responsible for safeguarding the assets of the companies.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and the group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

N R Cuthbert Director

R M Robinow Director

20 January 2005

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

We have audited the financial statements on pages 11 to 41, for the year ended 30 September 2004 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of the directors and auditors

As described on page 9, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

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

Opinion

In our opinion :

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

(b) the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2004 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
20 January 2005

Consolidated profit and loss account

	Notes	2004 Shs'000	2003 (restated) Shs'000
Turnover	2	873,408	720,210
Fair value of sisal leaf harvested		327,553	212,298
Sisal leaf processing income		313,991	280,414
Gain/(loss) arising from changes in fair value of biological assets	11	51,413	(35,459)
Income from sisal cultivation	3	692,957	457,253
Income from manufacture and services		198,753	178,557
Operating income		891,710	635,810
Cost of sales		(452,061)	(390,430)
Gross Profit		439,649	245,380
Other operating income		8,353	11,466
Distribution costs		(43,707)	(43,324)
Administrative expenses		(199,137)	(164,144)
Other operating expenses		(3,856)	(8,913)
Operating profit	4	201,302	40,465
Finance costs – net	6	(23,361)	(29,606)
Profit before tax		177,941	10,859
Tax	7	(49,275)	(7,634)
Net profit for the year		128,666	3,225
Earnings per share - basic and diluted	8	Shs 2.14	Shs 0.05
Proposed dividend per share	9	Shs 0.80	Shs 0.40

Consolidated balance sheet

	Notes	2004 Shs'000	2003 (restated) Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	265,039	244,515
Biological assets	11	264,394	209,969
Prepaid operating lease rentals	12	102,581	102,693
Deferred tax assets	19	541	2,828
		632,555	560,005
Current assets			
Inventories	14	192,969	158,625
Receivables and prepayments	15	175,015	125,814
Tax recoverable		19,937	17,914
Cash and cash equivalents	16	8,185	9,358
		396,106	311,711
Total assets		1,028,661	871,716
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	300,000	300,000
Share premium		84,496	84,496
Translation reserve		(25,015)	(31,425)
Revenue reserve		168,326	87,660
Proposed dividend	9	48,000	24,000
Shareholders' funds		575,807	464,731
Non-current liabilities			
Borrowings	18	78,003	116,003
Deferred tax liabilities	19	91,475	48,958
Provisions for liabilities and charges	20	32,702	27,968
		202,180	192,929
Current liabilities			
Payables and accrued expenses	21	69,623	60,686
Tax payable		1,605	67
Borrowings	18	179,446	153,303
		250,674	214,056
Total equity and liabilities		1,028,661	871,716

The financial statements on pages 11 to 41 were approved by the board of directors on 20 January 2005 and signed on its behalf by:

N R Cuthbert Director R M Robinow Director

balance sheet

	Notes	2004 Shs'000	2003 (restated) Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	102,409	101,108
Biological assets	11	72,711	55,662
Prepaid operating lease rentals	12	17,381	17,400
Investment in subsidiaries	13	229,842	229,842
		422,343	404,012
Current assets			
Inventories	14	40,900	29,160
Receivables and prepayments	15	105,478	110,248
Tax recoverable		16,632	15,909
Cash and cash equivalents	16	5,009	2,290
		168,019	157,607
Total assets		590,362	561,619
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	300,000	300,000
Share premium		84,496	B4,496
Revenue reserve		10,269	30,371
Proposed dividend	9	48,000	24,000
Shareholders' funds		442,765	438,867
Non-current liabilities			
Borrowings	1B	4,014	7,654
Deferred tax liabilities	19	22,971	10,139
Provisions for liabilities and charges	20	18,14B	15,541
		45,133	33,334
Current liabilities			
Payables and accrued expenses	21	37,310	21,286
Borrowings	18	65,154	68,132
		102,464	89,418
Total equity and liabilities		590,362	561,619

The financial statements on pages 11 to 41 were approved by the board of directors on 20 January 2005 and signed on its behalf by:

N R Cuthbert Director R M Robinow Director

Consolidated statement of
changes in equity

	Share capital Shs'000	Share premium Shs'000	Translation reserve Shs'000	Revenue reserve Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 30 September 2003						
At start of year						
- as previously stated	300,000	84,496	(21,867)	73,762	15,000	451,391
Prior year adjustments – IAS 41						
- fair value adjustment	-	-	-	47,322	-	47,322
- deferred tax adjustment	-	-	-	(12,649)	-	(12,649)
As restated	300,000	84,496	(21,867)	108,435	15,000	486,064
Foreign exchange translation	-	-	(9,558)	-	-	(9,558)
Net profit for the year	-	-	-	3,225	-	3,225
Dividends						
- paid for 2002	-	-	-	-	(15,000)	(15,000)
- proposed for 2003	-	-	-	(24,000)	24,000	-
At end of year	300,000	84,496	(31,425)	87,660	24,000	464,731
Year ended 30 September 2004						
As previously reported	300,000	84,496	(30,690)	90,447	24,000	468,253
Prior year adjustments – IAS 41						
Fair value adjustment	-	-		(7,067)	-	(7,067)
Deferred tax adjustment	-	-	-	3,545		3,545
Translation adjustment	-	-	(735)	735	-	-
As restated	300,000	84,496	(31,425)	87,660	24,000	464,731
Foreign exchange translation	-	-	6,410	-	-	6,410
Net profit for the year	-	-	-	128,666	-	128,666
Dividends						
- paid for 2003	-	-	-	-	(24,000)	(24,000)
- proposed for 2004	-	-	-	(48,000)	48,000	-
At end of year	300,000	84,496	(25,015)	168,326	48,000	575,807

The prior year adjustments relate to changes in fair value of sisal fibre inventories and sisal plants following the adoption of International Accounting Standard 41 – Agriculture during the year.

changes in equity

	Share capital Shs'000	Share premium Shs'000	Proposed dividends Shs'000	Revenue reserve Shs'000	Total Shs'000
Year ended 30 September 2003					
At start of year					
- as previously stated	300,000	84,496	15,000	63,376	462,872
Prior year adjustments – IAS 41					
- fair value adjustment	-	-	-	23,622	23,622
- deferred tax adjustment	-	-	-	(7,087)	(7,087)
As restated	300,000	84,496	15,000	79,911	479,407
Net loss for year	-	-	-	(25,540)	(25,540)
Dividend					
- paid for 2002	-	-	(15,000)	-	(15,000)
- proposed for 2003	-	-	24,000	(24,000)	-
At end of year	300,000	84,496	24,000	30,371	438,867
Year ended 30 September 2004					
At start of year					
- as previously stated	300,000	84,496	24,000	39,779	448,275
Prior year adjustments – IAS 41					
- fair value adjustment	-	-	-	(13,438)	(13,438)
- deferred tax adjustment	-	-	-	4,030	4,030
As restated	300,000	84,496	24,000	30,371	438,867
Net profit for the year	-	-	-	27,898	27,898
Dividend					
- paid for 2003	-	-	(24,000)	-	(24,000)
- proposed for 2004	-	-	48,000	(48,000)	-
At end of year	300,000	84,496	48,000	10,269	442,765

The prior year adjustments relate to changes in fair value of sisal fibre inventories and sisal plants following the adoption of International Accounting Standard 41 – Agriculture during the year.

Consolidated cash flow statement

	Notes	2004 Shs'000	2003 (restated) Shs'000
Operating activities			
Cash generated from operations	25	115,261	47,007
Interest received		10	20
Interest paid		(18,384)	(19,755)
Tax paid		(6,201)	(127)
Net cash generated from operating activities		90,686	27,145
Investing activities			
Purchase of property, plant and equipment		(51,918)	(33,138)
Proceeds from disposals of property, plant ond equipment		3,418	5,407
Net cash used in investing activities		(48,500)	(27,731)
Financing activities			
Proceeds from long-term borrowings		80,886	3,990
Repayment of long-term borrowings		(97,015)	(31,695)
Finance lease principal payments		(19,513)	(15,134)
Dividend paid		(24,000)	(15,000)
Net cash used in financing activities		(59,642)	(57,839)
Decrease in cash and cash equivalents		(17,456)	(58,425)
At start of year	16	(113,720)	(63,378)
Effects of exchange rate changes		(332)	8,083
At end of year	16	(131,508)	(113,720)

Notes forming part of the financial statements

1 Accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of these financial statements are unchanged from the previous year except for the implementation of the provisions of International Accounting Standard No. 41 – Agriculture, and are set out below.

Basis of preparation

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

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

Adoption of International Accounting Standard No. 41 – Agriculture

The group adopted IAS 41 during the year. In accordance with the provisions of this standard, the biological assets (sisal plants) and agricultural produce (sisal fibre) have been stated at fair values less estimated point of sale costs. Biological assets were previously stated at cost less a provision for amortisation. Agricultural produce was previously stated at the lower of cost and net realisable value.

The fair value of sisal plants is determined based on the present value of anticipated net cash flows from the sale of sisal fibre deducting anticipated production and point-of-sale costs discounted at a current market determined pre-tax rate. The fair value of sisal fibre is based on current market prices converted to local currency at the exchange rates ruling at the date of the balance sheet less point of sale costs.

Immature sisal plants are stated at cost.

The costs of replanting and the upkeep of the sisal plantations are recognised as an expense in the income statement.

The change in valuation of biological assets and agricultural produce has been applied retrospectively by adjusting the opening balance of revenue reserves at 1 October 2002. Comparative figures have been restated where applicable.

Consolidation

Subsidiaries, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group and consolidation ceases from the date of disposal.

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

Notes forming part of the financial statements *(continued)*

1 Accounting policies *(continued)*

Revenue recognition

Income attributable to harvested sisal leaf is recognised at the fair value of the resulting sisal fibre at the point of harvest.

Sales are recognised upon delivery of products and customer acceptance or an performance of services, and are stated net of VAT and discounts.

Interest income is recognised as it accrues, unless collectibility is in doubt.

Translation of foreign currencies

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

Investments 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 foreseeable 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 the cumulative related exchange differences dealt with in the translation reserve, are charged or credited to the profit and loss account.

Property, plant and equipment

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

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Buildings	50 years
Plant and machinery (including vehicles and equipment)	5 – 10 years

Freehold land is not depreciated.

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

Notes forming part of the financial statements *(continued)*

1 Accounting policies *(continued)*

Impairment

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

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

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 finonce leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. 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 chorges, are included in other long-term payables. The interest element of the finance charge is charged to the profit and loss account over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

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

Leasehold Land

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

Inventories

Sisal fibre inventories are stated at fair value based on current market prices converted to local currency at the exchange rates ruling at the date of the balance sheet less point of sale costs.

Processed twine and yarn inventories are valued at the lower of factory production cost and net realisable value. Cost comprises of direct factory labour, other direct costs and related production overheads but excludes interest expense.

Spares, lubricants, chemicals and stores are valued at weighted average cost.

Provision is made for obsolete stocks.

Notes forming part of the financial statements *(continued)*

1 Accounting policies *(continued)*

Segmental Reporting

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

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

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 an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

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.

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.

financial statements *(continued)*

1 Accounting policies *(continued)*

Retirement benefit obligations

The group operates a defined retirement benefit scheme for certain employees. The scheme's assets are held in a separate trustee-administered fund which is funded by contributions from both the group and employees.

The pension costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses are recognised over the average remaining service lives of employees.

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

Dividends

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

Comparatives

Where necessary, comparative figures have been restated to conform with current year presentation. In particular, comparative figures have been adjusted for changes in presentation to ensure compliance with International Accounting Standard No. 41 – Agriculture.

Notes forming part of the financial statements *(continued)*

2 Segment information

(a) Business segments

The group is organised into two principal business segments:

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

	Sisal Shs'000	Spinning and services Shs'000	Total Shs'000
Year ended 30 September 2004			
Sales revenue	674,655	198,753	873,408
Operating profit	188,552	12,750	201,302
Segment assets	917,708	110,953	1,028,661
Segment liabilities	425,273	27,581	452,854
Year ended 30 September 2003 (restated)			
Sales revenue	541,653	178,557	720,210
Operating profit	24,133	16,332	40,465
Segment assets	756,270	115,446	871,716
Segment liabilities	374,290	32,695	406,985

(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 2004			
Sales revenue	507,249	366,159	873,408
Operating profit	111,949	89,353	201,302
Segment assets	639,493	389,168	1,028,661
Segment liabilities	313,287	139,567	452,854
Year ended 30 September 2003 (restated)			
Sales revenue	464,367	285,843	720,210
Operating profit/(loss)	(13,897)	54,362	40,465
Segment assets	553,261	318,455	871,716
Segment liabilities	228,479	178,506	406,985

financial statements *(continued)*

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

	Group	
	2004 Shs'000	2003 Shs'000
Revenue from sale of sisal fibre	674,655	541,653
Fair value adjustment of biological assets	51,413	(35,459)
Net increase in actual costs of biological assets	(64,090)	(55,167)
Net increase in sisal fibre stocks at fair value	30,979	6,226
Operating income in respect of sisal cultivation	692,957	457,253

4 Operating profit

The operating profit is arrived at after charging:

	Group	
	2004 Shs'000	2003 (restated) Shs'000
Depreciation on property, plant and equipment (Note 10)	40,083	34,009
Amortisation of leasehold land (Note 12)	122	122
Operating lease rentals	5,253	4,939
Staff costs (Note 5)	264,330	228,629
Auditors' remuneration	2,960	2,888
Directors' remuneration - fees	444	396
- for management	11,914	10,414
and after crediting:		
Profit on disposal of property, plant and equipment	(2,153)	(4,512)

5 Staff costs

Salaries and wages	232,894	205,554
Social security costs	10,734	8,079
Pension contributions	3,662	2,731
Gratuity and other terminal benefits	6,584	3,421
Medical	10,456	8,844
	264,330	228,629

The number of persons employed by the group at the year end was 2,500 (2003: 2,384).

Notes forming part of the financial statements *(continued)*

6 Finance costs - net

	Group	
	2004	**2003 (restated)**
	Shs'000	**Shs'000**
Interest income	(10)	(20)
Net foreign exchange losses	4,987	9,871
Interest expense	18,384	19,755
	23,361	29,606

7 Tax

Current tax	5,805	110
Deferred tax (Note 19)	43,404	7,022
Underprovision of deferred tax in prior year	66	502
	49,275	7,634

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	
	2004	**2003 (restated)**
	Shs'000	**Shs'000**
Profit before tax	177,941	10,859
Tax calculated at the domestic rates applicable to profits in the countries concerned	53,325	3,151
Tax effect of:		
Income not subject to tax	(132)	(573)
Expenses not deductible for tax purposes	2,389	4,554
Underprovision of deferred tax in prior year	66	502
Realised exchange losses	(6,373)	-
Tax charge	49,275	7,634

Notes forming part of the financial statements *(continued)*

8 Earnings per share

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

	Group	
	2004	**2003 (restated)**
Net profit (Shs '000)	128,666	3,225
Weighted average number of ordinary shares (thousands)	60,000	60,000
Basic earnings per share (Shs)	2.14	0.05

There were no potentially dilutive ordinary shares outstanding at 30 September 2004 or 30 September 2003. Diluted earnings per share is therefore the same as basic earnings per share.

9 Dividends

Proposed dividends are accounted for as a separate component of equity until they have been ratified at a general meeting. At the annual general meeting to be held on 18 March 2005, a first and final dividend in respect of the year ended 30 September 2004 of Shs 0.80 (2003: Shs 0.40) per share amounting to a total of Shs 48,000,000 (2003: Shs 24,000,000) is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for Kenyan residents and 10% for non-residents.

Notes forming part of the financial statements *(continued)*

10 Property, plant and equipment

Group

	Sisal development Shs'000	Freehold land Shs'000	Buildings Shs'000	Plant and Machinery Shs'000	Total Shs'000
Cost					
At start of year					
As previously reported	356,199	49,500	58,303	322,610	786,612
Effect of adoption of IAS 41	(356,199)	-	-	-	(356,199)
As restated	-	49,500	58,303	322,610	430,413
Additions	-	-	4,270	55,197	59,467
Disposals	-	-	-	(9,582)	(9,582)
Translation adjustment	-	-	253	3,487	3,740
At end of year	-	49,500	62,826	371,712	484,038
Depreciation					
At start of year					
As previously reported	119,971	-	6,815	179,083	305,869
Effect of adoption of IAS 41	(119,971)	-	-	-	(119,971)
As restated	-	-	6,815	179,083	185,898
Charge for the year	-	-	1,161	38,922	40,083
On disposals	-	-	-	(8,450)	(8,450)
Translation adjustment	-	-	23	1,445	1,468
At end of year	-	-	7,999	210,990	218,999
Net book amount					
At 30 September 2004	-	49,500	54,827	160,722	265,039
At 30 September 2003	-	49,500	51,488	143,527	244,515

Notes forming part of the financial statements *(continued)*

10 Property, plant and equipment *(continued)*

Included in property, plant and equipment are assets with an original cost of Shs 86,780,000 (2003: Shs 46,127,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 15,900,000 (2003: Shs 9,087,000).

Additions include Shs 7,549,000 (2003: Shs 28,292,000) of assets leased under finance leases. Leased assets included above, comprise plant and machinery as follows:

	Group	
	2004	**2003**
	Shs'000	**Shs'000**
Cost – capitalised finance leases	41,742	47,481
Accumulated depreciation	(8,924)	(4,840)
	32,818	42,641

Sisal Development

Sisal development, which was previously accounted for at cost and amortised over the productive life of the sisal plants, is now disclosed as a separate item in the balance sheet as biological assets at fair value following the adaption during the year of IAS 41 – Agriculture.

Notes forming part of the financial statements *(continued)*

10 Property, plant and equipment *(continued)*

Company

	Sisal development Shs'000	Freehold land Shs'000	Buildings Shs'000	Plant and Machinery Shs'000	Total Shs'000
Cost					
At start of year					
As previously reported	108,533	45,000	23,305	98,809	275,647
Effect of adoption of IAS 41	(108,533)	-	-	-	(108,533)
As restated	-	45,000	23,305	98,809	167,114
Additions	-	-	632	12,200	12,832
Disposals	-	-	-	(7,406)	(7,406)
At end of year	-	45,000	23,937	103,603	172,540
Depreciation					
At start of year					
As previously reported	33,943	-	3,648	62,358	99,949
Effect of adoption of IAS 41	(33,943)	-	-	-	(33,943)
As restated	-	-	3,648	62,358	66,006
Charge for the year	-	-	466	10,140	10,606
On disposals	-	-	-	(6,481)	(6,481)
At end of year	-	-	4,114	66,017	70,131
Net book amount					
At 30 September 2004	-	45,000	19,823	37,586	102,409
At 30 September 2003	-	45,000	19,657	36,451	101,108

financial statements *(continued)*

10 Property, plant and equipment *(continued)*

Included in property, plant and equipment are assets with an original cost of Shs 35,402,000 (2003: Shs 16,733,000) which are fully depreciated and whose normal depreciation charge for the year would have been Shs 7,080,000 (2002: Shs 3,347,000).

Additions include Shs 2,962,000 (2003: Shs 15,284,000) of assets leased under finance leases. Leased assets included above, comprise plant and machinery as follows:

	2004 Shs'000	2003 Shs'000
Cost – capitalised finance leases	13,040	16,478
Accumulated depreciation	(2,473)	(560)
Net book amount	10,567	15,918

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

Sisal development, which was previously accounted for at cost and amortised over the productive life of the sisal plants, is now disclosed as a separate item in the balance sheet as biological assets at fair value following the adoption during the year of IAS 41 – Agriculture.

11 Biological Assets

Sisal plants and nurseries

	Group		Company	
	2004 Shs'000	2003 Shs'000	2004 Shs'000	2003 Shs'000
Carrying amount at start of year	209,969	251,357	55,662	87,120
Gain/(loss) arising from changes in fair value attributable to physical changes	7,993	(21,364)	1,772	(9,699)
Gain/(loss) arising from changes in fair value attributable to price changes of sisal fibre	43,420	(14,095)	15,277	(21,759)
Net fair value gain/(loss)	51,413	(35,459)	17,049	(31,458)
Translation adjustment	3,012	(5,929)	-	-
Carrying amount at end of year	264,394	209,969	72,711	55,662

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

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

Notes forming part of the financial statements *(continued)*

12 Prepaid operating lease rentals

	Group		Company	
	2004 Shs'000	2003 Shs'000	2004 Shs'000	2003 Shs'000
At beginning of year	102,693	102,866	17,400	17,419
Amortisotion	(122)	(122)	(19)	(19)
Tronslation adjustment	10	(51)	-	-
At end of year	102,581	102,693	17,381	17,400

The group holds vorious leasehold land titles which are amortised over the period of the lease, the remaining periods of which range from 57 years to over 900 yeors.

13 Investment in subsidiaries

	Company	
	2004 Shs'000	2003 Shs'000
Shores in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	95,667	95,667
	229,842	229,842

The subsidiory companies, which ore 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 ond sale of sisal fibre
Amboni Spinning Mill Limited	Tshs 250,000	Tanzania	Manufacture and sale of sisal twine and yarn
Dwo Estote Limited	Kshs 2,000	Kenyo	Cultivotion 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.

financial statements *(continued)*

	Group 2004 Shs'000	Group 2003 (restated) Shs'000	Company 2004 Shs'000	Company 2003 (restated) Shs'000
14 Inventories				
Sisal fibre at fair value	81,858	50,344	30,455	18,956
Finished goods at cost	10,410	16,475	-	-
Finished goods at net realisable value	7,090	408	-	-
Stores and raw materials at cost less provision	93,611	91,398	10,445	10,204
	192,969	158,625	40,900	29,160
15 Receivables and prepayments				
Trade receivables	7,503	12,784	330	904
Prepayments	21,764	7,130	3,553	894
Amounts due from related companies (Note 26)	94,820	61,470	38,022	20,748
Amounts due from group companies	-	-	44,553	75,041
VAT refunds	48,160	40,411	18,812	12,151
Other receivables	2,768	4,019	208	510
	175,015	125,814	105,478	110,248
16 Cash and cash equivalents				
Cash at bank and in hand	8,185	9,358	5,009	2,290

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

	Group 2004 Shs'000	Group 2003 Shs'000
Cash and bank balances as above	8,185	9,358
Bank overdrafts (Note 18)	(139,693)	(123,078)
	(131,508)	(113,720)

Notes forming part of the financial statements *(continued)*

17 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Authorised, issued and fully paid		
Balance at 1 October 2002, 1 October 2003 and 30 September 2004	60,000	300,000

The total authorised number of ordinary shares is 60 million with a par value of Shs 5 per share. All issued shares are fully paid.

18 Borrowings

	Group		Company	
	2004 Shs'000	2003 Shs'000	2004 Shs'000	2003 Shs'000
Total borrowings	257,449	269,306	69,168	75,786
Less: current portion	(179,446)	(153,303)	(65,154)	(68,132)
Non-current portion	78,003	116,003	4,014	7,654
The borrowings are made up as follows:				
Non-current				
Bank borrowings	56,833	8,447	3,439	3,125
Related companies (Note 26)	17,635	97,100	-	-
Lease liabilities	3,535	10,456	575	4,529
	78,003	116,003	4,014	7,654
Current				
Bank overdrafts	139,693	123,078	54,579	52,351
Bank borrawings	27,587	13,089	4,540	8,724
Lease liabilities	12,166	17,136	6,035	7,057
	179,446	153,303	65,154	68,132
Total borrowings	257,449	269,306	69,168	75,786

financial statements *(continued)*

18 Borrowing (continued)

Analysis of borrowings by currency

Group

	Borrowings in Kshs Shs'000	Borrowings in Tshs Shs'000	Borrowings in USD Shs'000	Borrowings in GBP Shs'000	Total Shs'000
2004					
Bank overdrafts	71,117	17,557	51,019	-	139,693
Bank borrowings	63,037	18,957	2,426	-	84,420
Lease liabilities	12,300	3,401	-	-	15,701
Related parties	-	-	-	17,635	17,635
	146,454	39,915	53,445	17,635	257,449
2003					
Bank overdrafts	66,368	11,327	45,383	-	123,078
Bank borrowings	12,852	1,499	7,185	-	21,536
Lease liabilities	24,527	3,065	-	-	27,592
Related parties	-	-	81,290	15,810	97,100
	103,747	15,891	133,858	15,810	269,306

Company

	Borrowings in Kshs Shs'000	Borrowings in USD Shs'000	Total Shs'000
2004			
Bank overdrafts	24,549	30,030	54,579
Bank borrawings	7,979	-	7,979
Lease liabilities	6,610	-	6,610
	39,138	30,030	69,168
2003			
Bank overdrafts	24,644	27,707	52,351
Bank borrawings	8,768	3,081	11,849
Lease liabilities	11,586	-	11,586
	44,998	30,788	75,786

The borrowings include secured liabilities (lease liabilities and bank borrowings) in a total amount of Shs 240,954,000 (2003: Shs 158,393,000). The bank borrowings are secured by first legal charges and debentures over certain of the group's immovable properties and other assets. Lease liabilities are effectively secured on the assets acquired.

Notes forming part of the financial statements *(continued)*

18 Borrowing (continued)

	Group		Company	
	2004	**2003**	**2004**	**2003**
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	6.5%	6.3%	7.0%	10.5%
-bank borrowings – Kshs	8.2%	11.9%	10.2%	12.6%
-bank overdrafts – Tshs	11.5%	14.8%	-	-
-bank borrowings – Tshs	11.5%	14.8%	-	-
-bank overdrafts – US$	4.2%	3.7%	3.8%	3.1%
-bank borrowings – US$	3.8%	3.1%	-	3.1%
-lease liabilities	14.0%	15.2%	13.1%	14.6%
-related parties – GBP	7.0%	7.0%	-	-
-related parties – US$	-	4.0%	-	-

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

	Group		Company	
	2004 Shs'000	**2003 Shs'000**	**2004 Shs'000**	**2003 Shs'000**
Maturity of non-current borrowings (excluding finance lease liabilities):				
Between 1 and 2 years	22,914	8,447	2,665	3,125
Between 2 and 5 years	33,919	-	774	-
Unspecified	17,635	97,100	-	-
	74,468	105,547	3,439	3,125
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	13,415	19,987	6,467	8,230
Later than 1 year and not later than 5 years	3,715	11,417	589	4,792
	17,130	31,404	7,056	13,022
Future finance charges on leases	(1,429)	(3,812)	(446)	(1,436)
Present value of finance lease liabilities	15,701	27,592	6,610	11,586
Representing lease liabilities:				
- current	12,166	17,136	6,035	7,057
- non-current	3,535	10,456	575	4,529
	15,701	27,592	6,610	11,586

Notes forming part of the financial statements *(continued)*

22 Retirement benefit obligations

The group operates a final salary defined benefit pension scheme for certain employees. The assets of the scheme are held in a separate trustee administered fund. The pension cost to the group is assessed in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years. The next full valuation is due on 1 January 2007.

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

	2004 Shs'000	2003 Shs'000
Present value of funded obligations	42,962	34,551
Fair value of scheme assets	(39,126)	(31,231)
Net under funding in funded plan	3,826	3,320
Unrecognised actuarial losses	(3,826)	(3,320)
Liability/asset in the balance sheet	-	-

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

	2004 Shs'000	2003 Shs'000
Current service cost	2,390	2,366
Interest cost	3,252	2,633
Expected return on plan assets	(3,011)	(2,576)
Net actuarial losses recognised in the year	1,031	308
Net charge for the year included in staff costs	3,662	2,731
Contributions paid	(3,662)	(2,731)
Movement in the liability/asset recognised in the balance sheet	-	-

The principal actuarial assumptions used were as follows:

	2004	2003
- discount rate	9%	9%
- expected rate of return on scheme assets	9%	9%
- future salary increases	7%	7%
- future pension increases	0%	0%

The group also makes contributions to a statutory provident fund, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 30 September 2004, the group contributed Shs 10,734,000 (2003: Shs 8,079,000) which has been charged to the profit and loss account.

Notes forming part of the financial statements *(continued)*

23 Contingent liabilities

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

24 Commitments

Capital commitments

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

	Group		Company	
	2004 Shs'000	**2003 Shs'000**	**2004 Shs'000**	**2003 Shs'000**
Authorised and contracted for	16,553	1,597	5,385	-

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

Operating lease commitments

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

	Group		Company	
	2004 Shs'000	**2003 Shs'000**	**2004 Shs'000**	**2003 Shs'000**
Not later than 1 year	4,216	4,389	1,792	1,966
Between 2 and 5 years	9,458	12,755	6,026	6,900
Later than 5 years	811	1,568	811	1,568
	14,485	18,712	8,629	10,434

Notes forming part of the financial statements *(continued)*

25 Cash generated from operations

	2004 Shs'000	2003 (Restated) Shs'000
Reconciliation of operating profit to cash generated from operations:		
Operating profit	201,302	40,465
Adjustments for:		
Depreciation (Note 10)	40,083	34,009
Fair value adjustment of biological assets (Note 11)	(51,413)	35,459
Amortisation of prepaid operating lease rentals (Note 12)	122	122
Profit on sale of property, plant and equipment	(2,153)	(4,512)
Net foreign exchange losses (Note 6)	(4,987)	(9,871)
Operating profit before working capital changes	182,954	95,672
Working capital changes:		
- receivables and prepayments	(49,201)	(19,538)
- inventories	(32,133)	(14,560)
- payables and accrued expenses	8,938	(16,334)
- provisions for liabilities and charges	4,703	1,767
Cash generated from operations	115,261	47,007

Non-cash transactions

The principal non-cash transactions are the acquisition of property, plant and equipment using finance leases (Note 10)

26 Related party transactions

At the year end, companies controlled by the Robinow family and their subsidiary and associated companies owned 58% of the company's shares.

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

Sales of sisal fibre and yarns to Wigglesworth & Co. Limited are contracted at market prices for East African fibres and yarns.

Mr. Oliver Fowler is a partner of Kaplan & Stratton. The fees paid to that firm in respect of legal work were calculated at standard charging rates.

Notes forming part of the financial statements *(continued)*

26 Related party transactions (continued)

The following transactions were carried out with related parties:

i) Sales of goods and services

	Group 2004 Shs'000	2003 Shs'000
Sisal fibre and yarns	741,075	625,221
Management services	924	924
ii) Purchase of services		
Purchase of services	2,865	2,904
Interest	3,356	4,651
iii) Outstanding balances		
Non-current related company borrowings	17,635	97,100
Related company receivables	94,820	61,470
Related company payables	1,473	6,612

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.