

Company Information

Directors The directors of the company are as follows:

Oliver Fowler* *Chairman* aged 48, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 20 years. He is a director of Nyara Tea Estate Limited.

Neil Cuthbert *Managing* aged 45, has been group general manager since early 1999. 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 55, 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 Investment 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 65, formerly assistant managing director of Brooke Bond 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. He is chairman of Premier Dairy Limited and a member of the Export Promotion Council.

Fabian Tibeita Aged 57, is the director general of East African Development Bank, a post he has held since 1992. He has been with East African Development Bank for 31 years during which time he has held a number of senior positions including director of operations. He is also a director of Panafrikan Paper Mills (E.A.) Limited.

* Member of the audit committee

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,
Barclays Plaza, Loita Street,
P.O. Box 30120, Nairobi

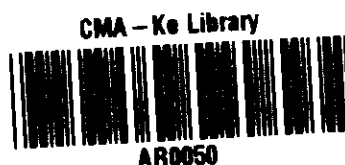
Auditors

PricewaterhouseCoopers
Rahimtulla Tower
Upper Hill Road
P.O. Box 43963, Nairobi

Bankers

ABN AMRO Bank
Barclays Bank of Kenya Limited
Commercial Bank of Africa Limited

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Notice of meeting

Notice is hereby given that the sixth annual general meeting of the company will be held at Holiday Inn, Mayfair Court Hotel, Parklands Road, Nairobi on Friday 30 March 2001, at 10.00 a.m. for the following purposes:

As ordinary business:

1. To receive and consider the company's annual report for the year ended 30 September 2000.
2. To elect directors.
3. To approve the directors' remuneration for the year ending 30 September 2001.
4. To note that PricewaterhouseCoopers continue as auditors under the provisions of section 159(2) of the Companies Act.
5. To authorise the directors to negotiate the auditors' remuneration.

By order of the board

I R HODSON
Secretary
9 February 2001

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/or her willingness to be elected.

2007/0050

Chairman's statement

The year covered by this report was a very difficult one. Drought, power rationing and, most significantly, very low sisal fibre prices, all had a negative impact with the consequences reflected in the accompanying results.

The group's largest estate, Dwa, suffered badly from the drought that affected most of East Africa in 2000 and, as a result, did not realise the increase in crop that had been forecast. Fortunately, the coastal estates were less affected by the abnormally dry conditions.

As reported previously, sisal fibre prices started to weaken during 1999 and fell to very low levels by March/April 2000. The weak sisal market was brought about by an imbalance of supply and demand, largely as a result of a build up of stock by certain producers of African sisal and a destocking by many large consumers who could see the market weakening. During this very difficult period, the group remained reasonably well sold but the price levels achieved were often below production costs.

With the clearance of African stocks of fibre during the second quarter of 2000, the market turned and prices have been slowly, but steadily, rising and have now reached a fairly remunerative level.

During the year the Tanzanian operation was further rationalised. Two new Tanzanian subsidiaries of REA Vipingo Plantations Limited were created, namely Amboni Plantations Limited and Amboni Spinning Mill Limited. The Mwera and Sakura sisal estates were brought into Amboni Plantations Limited and the Tanga Spinning Mill was taken up by Amboni Spinning Mill Limited. The other Tanzanian assets, which comprised the dormant Amboni estate, the Kwaraguru estate and other Tanga properties, remained in Amboni Limited and that company was sold on 30th June 2000.

The Mwera and the Sakura estates are located adjacent to each other and are now being run as a single operating unit. The Tanga mill is self-contained and the Tanga office has been reduced to a small administrative support organisation. The Tanzanian restructuring of operations has reduced group Tanzanian indebtedness and should significantly reduce operating expenses. It is hoped that this will result in these operations providing a useful future contribution to group earnings.

During the year fuel prices increased substantially, as did electricity costs in Kenya. The effects of extended power rationing and other interruptions were felt, particularly at Vipingo, but also on the Tanzanian estates.

Turning to the current year, the sisal fibre market continues to be buoyant and it is expected that fibre prices will remain at least at current levels for the remainder of the year. Unfortunately, prices for spun product from the mill have not increased in line with the increase in sisal fibre prices and, therefore, spinning margins are being squeezed.

At the end of December 2000, companies associated with the principal shareholder, the REA group, purchased the entire interest of the Albers group in the company. REA has stated that the purchase reflects its continuing confidence in the future of the group. Your directors are themselves confident that, with the increasing production, reduced costs as a result of rationalisation of activities in Tanzania, and better sisal prices and weather conditions, the group will now start to show improved results.

Finally, may I on behalf of the Board, convey my appreciation to all of the group's staff for their efforts and support during what has been a very difficult period.

OLIVER FOWLER
Chairman

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2000 and crops are stated for the whole year ended on that date and referred to as the 2000 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	2,303
Immature sisal	943
Nurseries	43
Other areas	5,701
	<hr/>
	8,990
	<hr/>

Dwa suffered from the drought that affected most of the hinterland of Kenya during the year 2000. The April rains were a failure and only 82 mm of rain were recorded on the estate during the period January to September. Despite these adverse conditions, the estate managed to produce 4,521 tonnes of fibre (1999 – 4,562 tonnes).

The November/December 2000 rains have been satisfactory and leaf regrowth is good. Unfortunately, with the financial year starting on 1st October, the effects of the drought have been carried through into the first quarter of the new year. Nevertheless, production during the current financial year is expected to show an increase on 1999/2000.

Planting is carried out prior to the November rains, the more reliable rains in this area. An area of 311 hectares was planted in October 1999 and 322 hectares in October 2000.

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	1,850
Immature sisal	655
Nurseries	44
Other areas	1,401
	<hr/>
	3,950
	<hr/>

Fibre production at Vipingo was 3,617 tonnes (1999 – 3,810 tonnes).

Planting at Vipingo is carried out prior to the May rains and 193 hectares was planted in 2000.

Vipingo has operated for many years a herd of boran cattle using grazing land provided by a neighbour. The long term availability of this grazing land had become uncertain and therefore a decision was taken during the year to dispose of the cattle section.

Review of operations (continued)

Tanzania

A major reorganisation of the Tanzania business was carried out during the year with a view to reducing debt and operating costs and further improving efficiency. As mentioned in the Chairman's statement, two new subsidiaries were established in Tanzania and Amboni Limited was sold.

Amboni Plantations Limited

The Amboni estates now comprise two separate properties, 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	2,470
Immature sisal	780
Nurseries	53
Other areas	7,567

10,870

The crop for 2000 for the two retained estates was 3,216 tonnes (1999 – 3,011 tonnes). The Kwaraguru estate produced 1,231 tonnes for the period to 30 June 2000. Production during the current financial year should exceed that of 1999/2000.

A total of 235 hectares of new sisal was planted during the year on the two retained estates.

Amboni Spinning Mill Limited

The Tanga spinning mill, situated on the outskirts of Tanga, produced 2,155 tonnes of product during the year (1999 – 2,245 tonnes).

A new management team was recruited for the mill during the year and already significant improvements to efficiency and cost controls are evident. The mill now also has its own dedicated engineering section to provide the necessary technical support for the production machinery.

The mill was well sold throughout the year at fair prices. All of the production of the mill is exported through the port of Tanga.

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 2000 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:

Madison Insurance House,
Upper Hill Road,
P.O. Box 17648,
NAIROBI.

Principal activities

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

Results and dividend

The group net loss for the year of Shs 34,010 thousand (company: net profit of Shs 95.642 million) has been deducted from retained earnings.

The directors do not recommend the payment of a dividend (1999: Shs Nil).

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 limited options available in Kenya to hedge against such risks.

Directors

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

Mr O M Fowler	Kenyan	(chairman)	
Mr V Albers	Swiss		Resigned 31 December 2000
Mr N R Cuthbert	British	(managing)	Appointed 31 December 2000
Mr R M Robinow	British		
Mr M arap Sang	Kenyan		
Mr F R Tibeita	Ugandan		

Auditors

The company's auditors, PricewaterhouseCoopers, continue in office in accordance with section 159 (2) of the Companies Act.

By order of the board

I R HODSON
Secretary
9 February 2001

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

We have audited the financial statements set out on pages 8 to 30. 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. The balance sheet of the company is in agreement with the books of account.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the company and of the group at 30 September 2000 and of the results and cash flows of the group for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants
Nairobi

9 February 2001

Consolidated profit and loss account

	Notes	2000 Shs'000	1999 Shs'000
Sales	1	595,677	533,289
Cost of sales		(416,873)	(384,441)
Gross profit		178,804	148,848
Other operating income		11,663	72,849
Distribution costs		(47,906)	(42,896)
Administrative expenses		(153,751)	(130,041)
Other operating expenses		(19,401)	(19,114)
Operating (loss)/profit	2	(30,591)	29,646
Finance costs	4	(35,368)	(37,369)
Profit on disposal of subsidiary		19,667	-
Loss before tax		(46,292)	(7,723)
Tax	5	12,282	1,120
Net loss		(34,010)	(6,603)
Loss per share - basic	6	(Shs 0.57)	(Shs 0.11)
- diluted	6	(Shs 0.57)	(Shs 0.11)

Consolidated balance sheet

	Notes	2000 Shs'000	1999 Shs'000
CAPITAL EMPLOYED			
Share capital	7	300,000	300,000
Share premium		84,496	84,496
Translation reserve		268	4,935
Retained earnings		61,017	90,072
Shareholders' funds		445,781	479,503
Non-current liabilities			
Borrowings	8	121,848	53,862
Deferred tax liabilities	9	17,968	17,670
Provisions for liabilities and charges	10	18,150	19,303
		157,966	90,835
		603,747	570,338
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	11	543,847	633,778
Non-current receivables	13	12,322	-
Deferred tax assets	9	16,341	1,631
		572,510	635,409
Current assets			
Inventories	14	158,453	225,309
Trade and other receivables	15	88,328	131,370
Tax recoverable		11,213	8,998
Cash and cash equivalents	16	19,042	4,926
		277,036	370,603
Current liabilities			
Trade and other payables	17	111,744	188,023
Current tax		-	1,528
Borrowings	8	134,055	246,123
		245,799	435,674
Net current assets/(liabilities)		31,237	(65,071)
		603,747	570,338

The financial statements on pages 8 to 30 were approved by the board of directors on 9 February 2001 for issue and signed on its behalf by:

N R Cuthbert

Director

R M Robinow

Director

Company balance sheet

	Notes	2000 Shs'000	1999 Shs'000
CAPITAL EMPLOYED			
Share capital	7	300,000	300,000
Share premium		84,496	84,496
Retained earnings		99,174	3,532
Shareholders' funds		483,670	388,028
Non-current liabilities			
Borrowings	8	-	703
Deferred tax	9	17,968	17,670
Provisions for liabilities and charges	10	8,269	7,529
		26,237	25,902
		509,907	413,930
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	11	172,784	179,473
Investments in subsidiaries	12	134,175	117,476
Non-current receivables	13	284,523	183,971
		591,482	480,920
Current assets			
Inventories	14	19,743	29,410
Trade and other receivables	15	48,895	24,555
Tax recoverable		11,172	8,998
Cash and cash equivalents	16	1,833	1,632
		81,643	64,595
Current liabilities			
Trade and other payables	17	70,557	25,414
Borrowings	8	92,661	106,171
		163,218	131,585
Net current liabilities		(81,575)	(66,990)
		509,907	413,930

The financial statements on pages 8 to 30 were approved by the board of directors on 9 February 2001 for issue and signed on its behalf by:

N R Cuthbert

Director

R M Robinow

Director

Consolidated statement of changes in equity

	Notes	Share capital Shs'000	Share premium Shs'000	Translation reserve Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 30 September 1999						
At start of year						
- as previously stated		300,000	84,496	2,261	105,556	492,313
- effect of adopting IAS 12	9	-	-	-	(16,763)	(16,763)
- as restated		300,000	84,496	2,261	88,793	475,550
Foreign exchange translation		-	-	2,674	7,882	10,556
Net loss		-	-	-	(6,603)	(6,603)
At end of year		300,000	84,496	4,935	90,072	479,503
Year ended 30 September 2000						
At start of year						
- as previously stated		300,000	84,496	4,935	106,111	495,542
- effect of adopting IAS 12	9	-	-	-	(16,039)	(16,039)
- as restated		300,000	84,496	4,935	90,072	479,503
Foreign exchange translation		-	-	288	-	288
Disposal of subsidiary		-	-	(4,955)	4,955	-
Net loss		-	-	-	(34,010)	(34,010)
At end of year		300,000	84,496	268	61,017	445,781

Company statement of changes in equity

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 30 September 1999					
At start of year					
- as previously stated		300,000	84,496	18,977	403,473
- effect of adopting IAS 12	9	-	-	(17,120)	(17,120)
- as restated		300,000	84,496	1,857	386,353
Net profit		-	-	1,675	1,675
At end of year		300,000	84,496	3,532	388,028
Year ended 30 September 2000					
At start of year					
- as previously stated		300,000	84,496	21,202	405,698
- effect of adopting IAS 12	9	-	-	(17,670)	(17,670)
- as restated		300,000	84,496	3,532	388,028
Net profit		-	-	95,642	95,642
At end of year		300,000	84,496	99,174	483,670

Consolidated cash flow statement

	Notes	2000 Shs'000	1999 Shs'000
Operating activities			
Cash generated from operations	21	134,971	105,454
Interest received		435	-
Interest paid		(32,192)	(30,027)
Tax paid		(5,786)	(3,590)
Net cash from operating activities		97,428	71,837
Investing activities			
Purchase of property, plant and equipment	11	(60,546)	(145,173)
Proceeds from disposals of property, plant and Equipment		2,993	4,799
Proceeds from disposal of investment in subsidiary	22	28,736	-
Net cash used in investing activities		(28,817)	(140,374)
Financing activities			
Repayment of long-term borrowings		(5,000)	7,462
Group companies		65,021	-
Finance lease principal payments		(8,343)	(4,507)
Net cash generated from financing activities		51,678	2,955
Increase/(decrease) in cash and cash equivalents		120,289	(65,582)
Movement in cash and cash equivalents			
At start of year	16	(228,030)	(162,448)
Increase/(decrease)		120,289	(65,582)
At end of year		(107,741)	(228,030)

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards, which have been adopted for the first time with effect from 1 October 1999. The financial statements are presented in Kenya Shillings (Shs) and prepared under the historical cost convention.

With the exception of IAS 12, income taxes, there are no changes in accounting policy that affect net profit resulting from the adoption of International Accounting Standards.

(b) Consolidation

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

The income statements of subsidiaries are translated at average exchange rates for the year and balance sheets 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 have been eliminated.

(c) Revenue recognition

Sales are recognised upon delivery of products to customers and performance of services, and are stated net of VAT, where applicable, and discounts.

(d) 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.

(e) Investments in subsidiaries

Investments in subsidiary companies are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

(f) Sisal development

Sisal is planted, cultivated and harvested over approximately an eleven year cycle for each field. Development costs are capitalised and included in property, plant and equipment as sisal development. These are amortised over the harvesting cycle of the sisal, which is normally eight years.

Accounting policies (continued)

(g) 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
Sisal development	8 years
Plant and machinery (including vehicles and equipment)	5 – 10 years

Land is not depreciated as it is deemed to have an indefinite life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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 profit.

(h) Accounting for leases

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease 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 charges, are included in other long-term payables. The interest element of the finance charge is charged to the profit and loss account over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Leases of assets under which all the risks and benefits 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.

(i) Inventories

Stocks of processed sisal are valued at lower of factory production cost and net realisable value. Cost comprises direct factory labour, other direct costs and related production overheads but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and applicable selling expenses. Spares, lubricants, chemicals and stores are valued at a weighted average cost. Provision is made for obsolete stocks.

(j) Trade receivables

Trade receivables are carried at original invoiced amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off in the year in which they are identified.

Accounting policies (continued)

(k) 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 and an accrual is made for the monetary value of leave entitlements as a result of services rendered by employees up to the balance sheet date.

(l) Deferred tax

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 substantially 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.

(m) Retirement benefit obligations

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

Since it is impracticable to account for the group's proportionate share of the retirement benefit obligation/asset and plan assets, the retirement benefit arrangement has been accounted for as if it were a defined contribution retirement benefit scheme, in accordance with IAS 19 (Employee Benefits). Therefore the group's contributions to the scheme are accounted for in the period in which they fall due.

(n) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

(o) 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.

(p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of International Accounting Standards which the company has implemented for the first time in the year ended 30 September 2000.

Notes forming part of the financial statements

1 Segment information
Year ended 30 September 2000

	Kenya Shs'000	Tanzania Shs'000	Total Shs'000
Sales revenue	338,329	257,348	595,677
Operating loss	(6,858)	(23,733)	(30,591)
Segment assets	552,807	280,398	833,205
Segment liabilities	251,215	136,209	387,424

The group is organised on a regional basis into two main geographical segments:

- Kenya
- Tanzania

Both segments are involved in agricultural activities only. Hence the primary reporting format is the only one disclosed.

2 Operating (loss)/profit

The following items have been charged in arriving at operating (loss)/profit:

	Group	
	2000 Shs'000	1999 Shs'000
Depreciation on property, plant and equipment (Note 11)	64,768	63,654
Operating lease rentals	1,367	999
Staff costs (Note 3)	223,690	231,034
Auditors' remuneration	2,621	3,935
Directors' remuneration - fees	468	468
Related party balance written off	3,568	-
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3 Staff costs

The following items are included within staff costs:

Termination benefits	5,848	5,996
Pension costs – defined benefit plans	2,115	2,721
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The number of persons employed by the group at the year end was:	2,433	3,379
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Notes forming part of the financial statements (continued)

4 Finance costs	2000	Group	1999
	Shs'000		Shs'000
Interest income	435		-
Net foreign exchange losses	(3,611)		(7,342)
Interest expense	(32,192)		(30,027)
	<hr/>		<hr/>
	(35,368)		(37,369)
	<hr/> <hr/>		<hr/> <hr/>
 5 Tax			
Current tax	2,043		-
Overprovision in prior year	-		(396)
Deferred tax (Note 9)	(14,325)		(724)
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	(12,282)		(1,120)
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The tax on the group's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2000	Group	1999
	Shs'000		Shs'000
Loss before tax	(46,292)		(7,723)
	<hr/>		<hr/>
Tax calculated at the domestic rates applicable to profits in the country concerned	(13,927)		(2,426)
Tax effect of:			
Income not subject to tax	(7,611)		(4,013)
Expenses not deductible for tax purposes	9,256		5,856
Effects of tax rate change	-		(1,336)
Utilisation of previously unrecognised tax losses			1,195
Overprovision in prior year	-		(396)
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Tax charge	(12,282)		(1,120)
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Further information about deferred tax is presented in Note 9.

Notes forming part of the financial statements (continued)

6 Loss per share

Basic loss per share is calculated by dividing the net loss by the weighted average number of ordinary shares in issue during the year.

	2000	1999
Net loss (Shs '000)	(34,010)	(6,603)
Weighted average number of ordinary shares (thousands)	60,000	60,000
Basic loss per share (Shs)	(0.57)	(0.11)

There were no potentially dilutive ordinary shares in issue during the year.

7 Share capital

Authorised, issued and fully paid

Balance at 1 October 1998, 30 September 1999 and 30 September 2000

Number of shares (Thousands)	Ordinary shares Shs'000
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.

8 Borrowings

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Total borrowings	255,903	299,985	92,661	106,874
Less: current portion	134,055	246,123	92,661	106,171
Non current portion	121,848	53,862	-	703
The borrowings are made up as follows:				
Non-current				
Bank borrowings	3,750	8,750	-	-
Related companies (Note 23)	118,098	42,664	-	-
Lease liabilities	-	2,448	-	703
	121,848	53,862	-	703
Current				
Bank overdrafts	126,783	202,538	91,958	103,935
Bank borrowings	5,000	5,000	-	-
Revolving credit	-	30,418	-	-
Lease liabilities	2,272	8,167	703	2,236
	134,055	246,123	92,661	106,171
Total borrowings	225,903	299,985	92,661	106,874

Notes forming part of the financial statements (continued)

8 Borrowings (continued)

The borrowings include secured liabilities (lease liabilities and bank borrowings) in a total amount of Shs 105.2 million (1999 Shs 209.5 million). 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.

	Group		Company	
	2000	1999	2000	1999
Weighted average effective rates at the year end were:				
-bank overdrafts – Kshs	18.5%	21.5%	18%	22%
-bank borrowings – Kshs	19%	22%	-	-
-bank overdrafts – Tshs	-	20%	-	-
-bank borrowings – US\$	8.82%	7.33%	8.82%	7.33%
-lease liabilities	21%	21%	27%	28%
Maturity of non-current borrowings (excluding finance liabilities):	Shs'000	Shs'000	Shs'000	Shs'000
Between 1 and 2 years	3,750	8,750	-	-
Unspecified	118,098	42,664	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	121,848	51,414	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Finance lease liabilities – minimum lease payments:				
Not later than 1 year	2,534	10,125	743	2,823
Later than 1 year and not later than 5 years	-	2,712	-	703
	<hr/>	<hr/>	<hr/>	<hr/>
	2,534	12,837	743	3,526
Future finance charges on leases	(262)	(2,222)	(40)	(587)
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of finance lease liabilities	2,272	10,615	703	2,939
	<hr/>	<hr/>	<hr/>	<hr/>
Representing lease liabilities:				
- current	2,272	8,167	703	2,236
- non current	-	2,448	-	703
	<hr/>	<hr/>	<hr/>	<hr/>
	2,272	10,615	703	2,939
	<hr/>	<hr/>	<hr/>	<hr/>
The present value of finance lease liabilities may be analysed as:				
Not later than 1 year	2,272	8,167	703	2,236
1-5 years	-	2,448	-	703
	<hr/>	<hr/>	<hr/>	<hr/>
	2,272	10,615	703	2,939
	<hr/>	<hr/>	<hr/>	<hr/>

Notes forming part of the financial statements (continued)

9 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (1999:30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2000	1999	2000	1999
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of the year				
- as previously stated	-	-	-	-
- prior year adjustment	16,039	16,763	17,670	17,120
- as restated	16,039	16,763	17,670	17,120
Profit and loss account (credit)/charge (Note 5)	(14,325)	(724)	298	550
Translation adjustment	(87)	-	-	-
At end of year	1,627	16,039	17,968	17,670

The prior year adjustment results from the adoption by the company during the year of IAS 12, income taxes.

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

	Group		Company	
	2000	1999	2000	1999
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax assets	(16,341)	(1,631)	-	-
Deferred tax liabilities	17,968	17,670	17,968	17,670
	1,627	16,039	17,968	17,670

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

Group	1.10.99	Charged/ (credited) to P/L	Translation adjustment	30.9.2000
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	47,738	41,362	992	90,092
	47,738	41,362	992	90,092
Deferred tax assets				
Provisions	(3,858)	(3,607)	(47)	(7,512)
Tax losses carried forward	(27,841)	(52,080)	(1,032)	(80,953)
	(31,699)	(55,687)	(1,079)	(88,465)
Net deferred tax liability	16,039	(14,325)	(87)	1,627

Notes forming part of the financial statements (continued)

9 Deferred tax (continued)

Company

	1.10.99	Charged/ (credited) to P/L	30.9.2000
	Shs'000	Shs'000	Shs'000
Deferred tax liabilities			
Accelerated tax depreciation	20,542	746	21,288
	20,542	746	21,288
Deferred tax assets			
Provisions	(2,258)	(1,062)	(3,320)
Tax losses carried forward	(614)	614	-
	(2,872)	(448)	(3,320)
Net deferred tax liability	17,670	298	17,968

10 Provisions for liabilities and charges

Staff retirement gratuity

	Group	Company
	Shs'000	Shs'000
At start of year	19,303	7,529
Charged to profit and loss account	3,133	1,775
Disposal of subsidiary	(1,970)	-
Exchange translation	(34)	-
Utilised during year	(2,282)	(1,035)
At end of year	18,150	8,269
Less: current portion	-	-
Non-current portion	18,150	8,269

Notes forming part of the financial statements (continued)

11 Property, plant and equipment

Group	Land and Buildings Shs'000	Sisal Development Shs'000	Plant and Machinery Shs'000	Total Shs'000
Cost				
At 1 October 1999	236,254	240,753	292,303	769,310
Additions	1,744	44,776	14,026	60,546
Transfer	(1,131)	-	1,131	-
Disposals	-	(1,930)	(9,350)	(11,280)
Disposal of subsidiary	(43,009)	(30,046)	(45,165)	(118,220)
Translation adjustment	414	2,723	1,820	4,957
	194,272	256,276	254,765	705,313
Depreciation				
At 1 October 1999	4,022	38,132	93,378	135,532
Charge	1,305	25,433	38,030	64,768
Disposals	-	(1,930)	(6,890)	(8,820)
Disposal of subsidiary	(1,376)	1,734	(31,682)	(31,324)
Translation adjustment	32	839	439	1,310
	3,983	64,208	93,275	161,466
Net book amount				
At 30 September 2000	190,289	192,068	161,490	543,847
At 30 September 1999	232,232	202,621	198,925	633,778

Notes forming part of the financial statements (continued)

11 Property, plant and equipment (continued)

Assets include plant and machinery leased under finance leases as follows:

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Cost – capitalised finance leases	12,527	19,018	4,526	4,526
Accumulated depreciation	2,996	1,522	1,128	303
Net book amount	9,531	17,496	3,398	4,223

12 Investment in subsidiaries

	Company	
	2000 Shs'000	1999 Shs'000
Shares in subsidiaries at cost	134,175	117,476

The subsidiaries are Dwa Estate Limited which is incorporated in Kenya and Amboni Plantations Limited and Amboni Spinning Mill Limited which are incorporated in Tanzania. All companies are wholly owned. During the year the company disposed of its former shareholding in Amboni Limited.

13 Non-current receivables

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Amounts due from group companies	-	-	272,201	183,971
Amount receivable from disposal of former subsidiary	12,322	-	12,322	-
	12,322	-	284,523	183,971

14 Inventories

Raw materials (at cost)	11,184	5,422	-	-
Sisal fibre (at cost)	32,186	89,090	9,835	15,501
Sisal fibre (at net realisable value)	352	2,066	-	-
Finished goods at cost	13,124	17,273	-	-
Finished goods (at net realisable value)	17,984	10,514	-	-
Stores at cost less provision	83,623	99,412	9,908	12,377
Livestock	-	1,532	-	1,532
	158,453	225,309	19,743	29,410

Notes forming part of the financial statements (continued)

15 Trade and other receivables

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Trade receivables	13,624	14,061	591	1,671
Prepayments	2,965	701	1,316	701
Amounts due from related companies (Note 23)	34,042	96,473	12,956	15,885
VAT refunds	10,998	20,135	7,333	6,298
Amount receivable from disposal of former subsidiary	26,699	-	26,699	-
	<u>88,328</u>	<u>131,370</u>	<u>48,895</u>	<u>24,555</u>

16 Cash and cash equivalents

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Cash at bank and in hand	19,042	4,926	1,833	1,632
	<u>19,042</u>	<u>4,926</u>	<u>1,833</u>	<u>1,632</u>

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

	Group	
	2000 Shs'000	1999 Shs'000
Cash and bank balances as above	19,042	4,926
Bank overdrafts (Note 8)	(126,783)	(232,956)
	<u>(107,741)</u>	<u>(228,030)</u>

17 Trade and other payables

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Trade payables	38,940	102,237	9,887	9,340
Amounts due to related companies (Note 23)	23,657	79,927	21,014	11,213
Accrued expenses	18,119	5,859	8,628	4,861
Amount due to former subsidiary	31,028	-	31,028	-
	<u>111,744</u>	<u>188,023</u>	<u>70,557</u>	<u>25,414</u>

Notes forming part of the financial statements (continued)

18 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.

19 Commitments

Capital expenditure contracted for at the balance sheet due but not recognised in the financial statements is as follows:

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Property, plant and equipment	6,164	-	-	-

20 Retirement benefit obligations

The group participates in the Wigglesworth Exporters Limited – Management Staff Retirement Benefit Scheme for certain of its employees. The scheme is a final salary defined benefit, multi-employer pension scheme. The assets of the scheme are held in a separate trustee-administered fund. The pension cost to the company is assessed in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years.

It is not practical to accurately attribute the assets and liabilities of the scheme to individual employers participating in the scheme. Therefore the company accounts for the scheme as if it were a defined contribution plan.

The last actuarial valuation of the scheme was performed on 1 January 1998, using the Attained Age method. The principal assumptions adopted in the valuation were that investment returns would be 10% per annum, pensionable salaries would increase by 8% per annum and that pensions would increase at the rate of 0% per annum.

At the date of the last actuarial valuation at 1 January 1998, the value of the assets of the scheme was Shs 17,424,237 and the actuarial value of the assets was sufficient to cover 82% of the past service liabilities accruing to members. Based on the results of the valuation, the actuaries recommended that the employers' (participating companies) rate of contribution be retained at 12.75% until the next valuation.

Notes forming part of the financial statements (continued)

21 Cash generated from operations

	2000	1999
	Shs'000	Shs'000
Reconciliation of loss before tax to cash generated from operations:		
Loss before tax	(46,292)	(7,723)
Adjustment for:		
Profit on disposal of subsidiary	(19,667)	-
Depreciation (Note 11)	64,768	63,654
Profit on sale of property, plant and equipment	(533)	(3,069)
Interest income (Note 4)	(435)	-
Interest expense (Note 4)	32,192	30,027
Prior year adjustment	-	(16,511)
Changes in:		
- trade and other receivables	37,930	(38,845)
- inventories	65,562	(32,609)
- trade and other payables	2,599	91,227
- provisions for liabilities and charges	(1,153)	19,303
	<hr/>	<hr/>
Cash generated from operations	134,971	105,454
	<hr/>	<hr/>

Non cash transactions

The principal non cash transactions are the acquisition of property, plant and equipment using finance leases (Note 11).

22 Disposal of subsidiary

On 30 June 2000 the group disposed of its interest in a subsidiary, Amboni Limited, having immediately prior to the sale restructured the company by transferring part of the assets and liabilities to two new subsidiaries, Amboni Plantations Limited and Amboni Spinning Mill Limited.

The net sale proceeds were Shs 122,055,000 and the carrying value of the net assets disposed of (including cash and cash equivalents) was Shs 102,388,000, giving a profit on disposal of Shs 19,667,000.

Notes forming part of the financial statements (continued)

22 Disposal of subsidiary (continued)

The assets and liabilities disposed of were as follows:

	Shs'000
Property, plant and equipment	92,338
Inventories	1,294
Trade debtors and other receivables	31,810
Trade creditors and other liabilities	(78,878)
Due from REA Vipingo Plantations Limited (net)	114,577
Cash and bank balances	957
Bank overdraft	(59,710)
	<hr/>
Carrying value of net assets	102,388
Profit on disposals	19,667
	<hr/>
Disposal proceeds	122,055
Cash and cash equivalents disposed of	58,753
Less: due from REA Vipingo Plantations Limited (net)	(114,577)
Less: receivable from disposal	(37,495)
	<hr/>
Cash inflow on disposal	28,736
	<hr/>

23 Related party transactions

At the year end 36.5% of the company's shares were held by REA Holdings plc (incorporated in England) and 20.5% were held by Agricultural Development Company Ltd (incorporated in Guernsey). Subsequent to the year end the shareholding of Agricultural Development Company Limited has been acquired by subsidiary and associated companies of REA Holdings plc. Mr. R.M. Robinow is the Chairman of REA Holdings plc. The remaining 43% of the shares are widely held.

The following transactions were carried out with related parties:

i) Sales of goods and services

	2000	1999
	Shs'000	Shs'000
Sisal fibre and yarns:		
Wigglesworth & Co. Limited	255,495	211,880
Wigglesworth Exporters Limited	292,690	311,467
	<hr/>	<hr/>
	548,185	523,347
	<hr/>	<hr/>
Management Services:		
Afchem Limited	924	924
Amboni Plastics Limited	-	2,746
Amboni Sisal Properties Limited	-	10,249
Mkwaja Limited	2,282	3,851
	<hr/>	<hr/>
	3,206	17,770
	<hr/>	<hr/>

Notes forming part of the financial statements (continued)

23 Related party transactions (continued)

ii) Purchase of goods and services	2000	1999
	Shs'000	Shs'000
Purchase of goods:		
Wigglesworth & Co Limited	13,996	26,816
	<hr/>	<hr/>
Purchase of services:		
REA Services Limited (consultancy)	10,594	9,376
Vipingo Estate Limited (rentals)	906	668
Wigglesworth Exporters Limited (management services)	4,159	5,365
	<hr/>	<hr/>
	15,659	15,409
	<hr/>	<hr/>
iii) Outstanding balances		
Amboni Estates Limited	102,688	42,664
Mkwaja Limited	1,705	-
Wigglesworth & Co. Limited	13,705	-
	<hr/>	<hr/>
Non current borrowings	118,098	42,664
	<hr/>	<hr/>
Afchem Limited	357	119
Vipingo Estate Limited	55	134
Wigglesworth & Co. Limited	4,082	61,097
Wigglesworth Exporters Limited	29,548	35,123
	<hr/>	<hr/>
Related company receivables	34,042	96,473
	<hr/>	<hr/>
Afchem Limited	-	1
Mkwaja Limited	405	41,781
REA Services Limited	20,735	10,113
Wigglesworth & Co. Limited	2,517	28,032
	<hr/>	<hr/>
Related company payables	23,657	79,927
	<hr/>	<hr/>

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

All of the related companies are either subsidiary or related companies of the two major shareholders REA Holdings plc and Agricultural Development Company Limited.

**REA VIPINGO
PLANTATIONS**

**FORM OF PROXY
ANNUAL GENERAL MEETING
30 MARCH 2001**

I/We _____

of _____

being a Member/Members of the above named company, hereby appoint _____

or failing him the 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 30th of March 2001 and at any adjournment thereof.

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

Signature _____

Date _____ 2001

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 Limited, Madison Insurance House, Upper Hill Road, P.O. Box 17648, Nairobi so as to arrive no later than 10.00 a.m. on Thursday 29th March 2001.
2. In the case of a corporation this proxy must be under its common seal or under the hand of an officer duly authorised in writing.

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Second fold

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

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