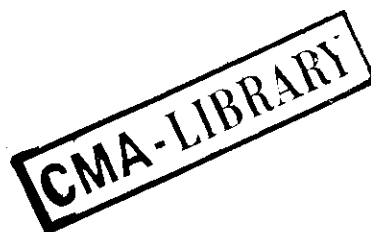
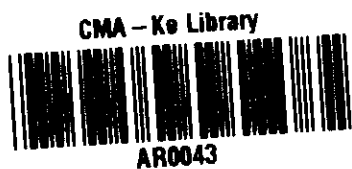


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Company Information

Directors

The directors of the company are as follows:

Oliver Fowler*

Chairman aged 50, 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 47, 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 57, 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 67, 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.

Fabian Tibeita

Aged 59, 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 over 30 years during which time he has held a number of senior positions including director of operations. He is also a director of Panafrican 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,
Bank House, Moi Avenue,
P.O. Box 30120, Nairobi

Auditors

PricewaterhouseCoopers
Ralli House
Nyerere Avenue
P.O. Box 81411, Mombasa

2007 (0043)

Notice of meeting

Notice is hereby given that the eighth annual general meeting of the company will be held at Holiday Inn, Mayfair Court Hotel, Parklands Road, Nairobi on Friday 21 March 2003, 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 2002.
- 2 To approve the payment of a first and final dividend for the year ended 30 September 2002 of shs 0.25 per share payable on or about 26 September 2003 to shareholders registered at the close of business on 31 March 2003.
- 3 To elect directors.
- 4 To approve the directors' remuneration for the year ending 30 September 2003.
- 5 To note that PricewaterhouseCoopers continue as auditors under the provisions of section 159(2) of the Companies Act.
- 6 To authorise the directors to negotiate the auditors' remuneration.

As special business:

- 7 To consider, and if thought fit, to approve the following resolution as a Special Resolution:
"That the Articles of Association of the Company be amended by the addition of the following new Article 133(a) and (b):

CENTRAL DEPOSITORIES ACT 2000

133(a) The provisions of the Central Depositories Act 2000 as amended or modified from time to time shall apply to the Company to the extent that any securities of the Company are in part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the said Central Depositories Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these Articles that are inconsistent with the said Central Depositories Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association, securities, immobilisation and dematerialisation shall be construed in the same way as they are construed in the said Central Depositories Act.

133 (b) Where any securities of the Company are forfeited pursuant to these Articles of Association after being immobilised or dematerialised, the Company shall be entitled to transfer such securities to a securities account designated by the Directors for this purpose".

By order of the board

I R HODSON

Secretary

28 January 2003

Corporate Governance

The Capital Markets Authority, in January 2002, published guidelines on corporate governance practices by public listed companies in Kenya.

The board is committed to ensuring compliance with all of those guidelines that are appropriate to the circumstances of the group and adherence generally to best practice in corporate governance. The directors acknowledge their responsibility for maintaining appropriate internal control systems to safeguard the assets of the group and ensure the reliability of financial information.

The composition of the board is given on page 2 of this report. The majority of directors, including the chairman, are non-executive. This ensures that the decision making process is objective and takes into account the rights and expectations of the body of shareholders as a whole.

Directors, other than the managing director, are required to seek re-election once every three years.

The principal responsibilities of the directors are to define the mission and strategy of the company, to review the operations of the company and to ensure that the company complies with its responsibilities to its shareholders.

A detailed budget for the coming financial year is presented to the board for approval at the beginning of that year. Management accounts comparing actual results against budget and revised forecasts for the remainder of the financial year are produced each month. Significant variances from budget are highlighted and explained and, where appropriate, corrective action is indicated.

A formally constituted audit committee with written terms of reference has been in existence since 1999. The principal responsibilities of the audit committee include reviewing of financial and other reports, agreeing the scope of the audit and subsequently reviewing the results of the audit; ensuring the independence of the auditor and reviewing the audit fee. The audit committee normally holds two formal meetings in each year, to which the auditor is invited. In addition, the committee consults by electronic means as may be necessary.

The board is currently in the process of establishing nomination and remuneration committees.

The company provides appropriate information to shareholders by means of an annual report, an interim report and other communications as may be necessary.

Chairman's statement

The year covered by this report has, as predicted, seen the group move forward very positively.

Sisal fibre volumes which, as you will recall, increased by nearly 10% during the previous year, increased by a further 6% during the period under review to a total of 13,250 tonnes. Other than the Mwera estate in Tanzania, which suffered as a result of the failure in that area of the short rains, all estates produced to their full potential. Vipingo and Dwa had particularly satisfactory years.

Sisal fibre prices have remained stable at fairly remunerative levels for some time, and the indications are that, for the immediate term, this will continue. Sales have been excellent during the period, largely thanks to our very strong marketing arrangements, and the group has worked, and continues to work, with virtually no unshipped stock.

Unfortunately, the spinning mill has had a more difficult year as a result of a downturn during the first half of the year in sales to our main outlets. This downturn was a result of problems in the markets in which our customers operate. Fortunately, since the third quarter of the year, sales have improved to more satisfactory levels, although traditional markets for spun product remain very competitive.

With the improved fibre volumes, the year saw an 11% increase in turnover to Shs 666 million. Finance expenses, despite further exchange losses as a result of the depreciation during the year of the Tanzania shilling, reduced by Shs 4.22 million to Shs 28.26 million. Operating profits increased by 82% to Shs 75.37 million and a profit before tax of some Shs 47.11 million was achieved.

In view of the improvement in results, your board recommends the payment of a first and final dividend of Shs 0.25 per share to be paid in September 2003.

Turning to the current year, the sisal fibre market continues to be buoyant and the group is well sold at fair prices. With the turbulent state of the world at this time, it is difficult to make sensible long-term predictions but the indications are that sales volumes and prices will remain at, or close to, present levels for the immediate term at least. Fibre production volumes during the current year, provided the April rains are satisfactory, are forecast to increase marginally over the levels achieved in 2001/2002.

Competition in our traditional markets, as mentioned above, makes it difficult to achieve satisfactory margins for the spun product produced in our spinning mill. Accordingly, efforts continue to secure new markets. Some investment will be made in the mill in the current year in order that we can produce a wider product range which should facilitate access to a larger market.

Providing the world economic situation does not deteriorate significantly, sisal fibre prices remain firm and weather conditions favourable, your directors are confident that, with the significant reduction in debt that was achieved during the last year, a further improvement in results can be achieved during the current year.

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

OLIVER FOWLER
Chairman

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 2002 and crops are stated for the whole year ended on that date and referred to as the 2002 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	2,426
Immature sisal	1,063
Nurseries	45
Other areas	<u>5,456</u>
	<u>8,990</u>

The benefits of the investments made at Dwa in recent years in terms of increased planted areas, infrastructure and machinery are now being realised. Production of sisal fibre during the year was the highest ever achieved at 5,350 tonnes (2001 - 4,815 tonnes). Production has increased by 18% in two years.

Providing the estate receives a reasonably normal rainfall distribution this year, a further small increase in production can be expected. However, much will depend upon rainfall which has so far not been promising in the Dwa area.

Planting is carried out at Dwa prior to the November rains, historically the more reliable in the area, and a total of 365 ha was planted in October 2001 and 376 ha in October 2002.

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	1,849
Immature sisal	673
Nurseries	49
Other areas	<u>1,379</u>
	<u>3,950</u>

Vipingo had a satisfactory year with a production of 4,346 tonnes (2001 - 3,948 tonnes). This is in fact the highest volume achieved on this estate since the formation of the company.

Improved volumes at Vipingo are a result of investments made in recent years in soil improvements and machinery upgrades as well as a very good rainfall distribution during the second half of the year.

Although the current year has started extremely well, the limited land resources at Vipingo do mean that the estate is unlikely to improve upon the volumes currently being attained.

Planting at Vipingo is carried out prior to the May rains and some 230 hectares were planted in 2002.

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	2,043
Immature sisal	825
Nurseries	63
Other areas	7,939
	<u>10,870</u>

The November rains in the Tanga area were very disappointing, particularly at Mwera, and as a result overall production in Tanzania was slightly below expectations at 3,639 tonnes (2001 - 3,801 tonnes).

The current year has started well with good short rains and, if distribution remains fair through the remainder of the period, volume should improve marginally during the current period.

Planting in Tanzania is carried out prior to the May rains and a total of 307 hectares (2001 - 285 hectares) was planted on the two estates in 2002. It is planned that this level of replanting will continue and, as a result, volumes will slowly improve.

Amboni Spinning Mill Limited

The Tanga Spinning Mill, situated on the outskirts of Tanga, has had a particularly difficult year as a result of a major downturn in offtake from key customers during the first half of the year. This was a result of the economic situation in the markets that these customers operate. Fortunately, sales improved during the second half of the year and remain at reasonable levels.

Margins remain very tight and efforts continue to be made to reduce costs, improve efficiencies and secure new higher margin business.

Overall production from the mill was 1,779 tonnes (2001 - 2,962 tonnes).

Marketing

Exported sisal fibre and products from the group's estates and the Tanga spinning mill have since the formation of the group been sold through a related company, Wigglesworth & Co and this arrangement continued through the year to 30 September 2002. 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 2002 which disclose the state of affairs of the group and the company.

Incorporation and registered office

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of the registered office is shown on page 2.

Principal activities

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

Results and dividend

The group net profit for the year of Shs 24,809 thousand has been added to retained earnings.

The directors recommend the payment of a dividend amounting to Shs 15,000,000 (2001: 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 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 N R Cuthbert	British (managing)
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

28 January 2003

Statement of directors' responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of 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

28 January 2003

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

We have audited the financial statements set out on pages 11 to 32. The balance sheet of the company is in agreement with its books of account.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements as set out on page 9. Our responsibility is to express an independent opinion on the 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 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.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary to provide a reasonable basis for our opinion.

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 2002 and of the results and cash flows of the group for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants
Mombasa

28 January 2003

Consolidated profit and loss account

	Notes	2002 Shs'000	2001 Shs'000
Sales	1	665,830	598,477
Cost of sales		<u>(387,456)</u>	<u>(382,050)</u>
Gross profit		278,374	216,427
Other operating income		12,511	11,616
Distribution costs		(44,648)	(41,445)
Administrative expenses		(155,601)	(132,929)
Other operating expenses		<u>(15,266)</u>	<u>(12,225)</u>
Operating profit	2	75,370	41,444
Finance costs	4	<u>(28,262)</u>	<u>(32,489)</u>
Profit before tax		47,108	8,955
Tax	5	<u>(22,299)</u>	<u>(4,959)</u>
Net profit		<u>24,809</u>	<u>3,996</u>
Earnings per share - basic and diluted	7	<u>Shs 0.41</u>	<u>Shs 0.07</u>
Proposed dividend	6	<u>15,000</u>	<u>-</u>

Consolidated balance sheet

	Notes	2002 Shs'000	2001 Shs'000
CAPITAL EMPLOYED			
Share capital	8	300,000	300,000
Share premium		84,496	84,496
Translation reserve		(21,867)	(12,327)
Retained earnings		73,762	63,953
Proposed dividends	6	15,000	-
Shareholders' funds		<u>451,391</u>	<u>436,122</u>
Non-current liabilities			
Borrowings	9	139,937	133,491
Deferred tax liabilities	10	36,217	24,282
Provisions for liabilities and charges	11	26,432	18,330
		<u>202,586</u>	<u>176,103</u>
		<u>653,977</u>	<u>612,225</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	12	445,782	439,286
Prepaid operating lease rentals	14	102,866	103,765
Deferred tax assets	10	9,338	19,535
		<u>557,986</u>	<u>562,586</u>
Current assets			
Inventories	16	137,751	155,445
Receivables and prepayments	17	101,797	116,830
Tax recoverable		17,890	15,475
Cash and cash equivalents	18	7,629	2,599
		<u>265,067</u>	<u>290,349</u>
Current liabilities			
Payables and accrued expenses	19	72,538	88,323
Current tax		66	8
Borrowings	9	96,472	152,379
		<u>169,076</u>	<u>240,710</u>
Net current assets		<u>95,991</u>	<u>49,639</u>
		<u>653,977</u>	<u>612,225</u>

The financial statements on pages 11 to 32 were approved for issue by the board of directors on 28 January 2003 and signed on its behalf by:

N R Cuthbert Director

R M Robinow Director

Company balance sheet

	Notes	2002 Shs'000	2001 Shs'000
CAPITAL EMPLOYED			
Share capital	8	300,000	300,000
Share premium		84,496	84,496
Retained earnings		63,376	99,347
Proposed dividends	6	15,000	-
Shareholders' funds	4	<u>462,872</u>	<u>483,843</u>
Non-current liabilities			
Borrowings	9	12,551	15,533
Deferred tax	10	11,782	19,015
Provisions for liabilities and charges	11	13,666	9,026
		<u>37,999</u>	<u>43,574</u>
		<u>500,871</u>	<u>527,417</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	12	158,850	156,510
Investments in subsidiaries	13	234,516	234,516
Prepaid operating lease rentals	14	17,419	17,557
Non-current receivables	15	120,941	163,017
		<u>531,726</u>	<u>571,600</u>
Current assets			
Inventories	16	21,120	22,268
Receivables and prepayments	17	34,062	53,765
Tax recoverable		15,881	13,459
Cash and cash equivalents	18	4,602	1,329
		<u>75,665</u>	<u>90,821</u>
Current liabilities			
Payables and accrued expenses	19	45,069	52,578
Borrowings	9	61,451	82,426
		<u>106,520</u>	<u>135,004</u>
Net current liabilities		<u>(30,855)</u>	<u>(44,183)</u>
		<u>500,871</u>	<u>527,417</u>

The financial statements on pages 11 to 32 were approved for issue by the board of directors on 28 January 2003 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	Proposed dividends Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended							
30 September 2001							
At start of year							
- as previously reported		300,000	84,496	268	-	61,017	445,781
- exchange gain on loan to subsidiary	13	-	-	1,060	-	(1,060)	-
As restated		300,000	84,496	1,328	-	59,957	445,781
Foreign exchange translation		-	-	(13,655)	-	-	(13,655)
Net profit		-	-	-	-	3,996	3,996
At end of year		300,000	84,496	(12,327)	-	63,953	436,122
Year ended							
30 September 2002							
At start of year							
- as previously reported		300,000	84,496	(2,703)	-	54,329	436,122
- exchange loss on loan to subsidiary	13	-	-	(9,624)	-	9,624	-
As restated		300,000	84,496	(12,327)	-	63,953	436,122
Foreign exchange translation		-	-	(9,540)	-	-	(9,540)
Net profit		-	-	-	-	24,809	24,809
Proposed dividend for 2002	6	-	-	-	15,000	(15,000)	-
At end of year		300,000	84,496	(21,867)	15,000	73,762	451,391

Company statement of changes in equity

	Notes	Share capital Shs'000	Share premium Shs'000	Proposed dividends Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended						
30 September 2001						
At start of year		300,000	84,496	-	99,174	483,670
Net profit		-	-	-	173	173
At end of year		300,000	84,496	-	99,347	483,843
Year ended						
30 September 2002						
At start of year		300,000	84,496	-	99,347	483,843
Net loss		-	-	-	(20,971)	(20,971)
Proposed dividend for 2002	6	-	-	15,000	(15,000)	-
At end of year		300,000	84,496	15,000	63,376	462,872

Consolidated cash flow statement

	Notes	2002 Shs'000	2001 Shs'000
Operating activities			
Cash generated from operations	23	146,493	36,157
Interest received	4	86	65
Interest paid	4	(18,084)	(23,574)
Tax paid		(2,468)	(4,428)
Net cash from operating activities		<u>126,027</u>	<u>8,220</u>
Investing activities			
Purchase of property, plant and equipment	12	(84,016)	(80,447)
Proceeds from disposals of property, plant and equipment		2,474	4,077
Net cash outflow on acquisition of subsidiary		-	(2,576)
Net cash used in investing activities		<u>(81,542)</u>	<u>(78,946)</u>
Financing activities			
Proceeds from long-term borrowings		33,273	33,576
Repayment of long-term borrowings		(15,035)	(5,000)
Lease financing received		14,840	8,715
Finance lease principal payments		(7,535)	(4,160)
Non-current receivables		-	12,322
Net cash from financing activities		<u>25,543</u>	<u>45,453</u>
Increase/(decrease) in cash and cash equivalents		<u>70,028</u>	<u>(25,273)</u>
Movement in cash and cash equivalents			
At start of year	18	(133,681)	(107,741)
Increase/(decrease)		70,028	(25,273)
Effects of exchange rate changes		275	(667)
At end of year	18	<u>(63,378)</u>	<u>(133,681)</u>

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 Financial Reporting Standards. The financial statements are presented in Kenya Shillings (Shs) and prepared under the historical cost convention.

(b) Consolidation

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

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

(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 of 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 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.

Accounting policies (continued)

(f) Sisal development

Sisal is planted, cultivated and harvested over an approximate 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.

(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

Freehold land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. 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 profits or losses.

(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 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.

(i) Inventories

Stocks of processed sisal are valued at the lower of factory production cost and net realisable value. Cost comprises direct factory labour, other direct costs and related production overheads but excludes interest 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.

Accounting policies (continued)

(i) Inventories (continued)

Spares, lubricants, chemicals and stores are valued at weighted average cost. Provision is made for obsolete stocks.

(j) Trade receivables

Trade receivables are carried at amortised invoice amounts less provision made for impairment of these receivables based on a review of all outstanding amounts at the year end.

(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.

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

(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 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.

(m) 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.

(n) 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.

Notes forming part of the financial statements

1 Segment information

Year ended 30 September 2002

	Kenya	Tanzania	Total
	Shs'000	Shs'000	Shs'000
Sales revenue	423,608	242,222	665,830
Operating profit	37,895	37,475	75,370
Segment assets	539,261	283,792	823,053
Segment liabilities	214,732	156,930	371,662

Year ended 30 September 2001

Sales revenue	343,690	254,787	598,477
Operating profit	27,483	13,961	41,444
Segment assets	564,310	288,626	852,936
Segment liabilities	265,698	151,115	416,813

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 above geographical analysis is the primary and sole segmental reporting format.

2 Operating profit

The following items have been charged in arriving at operating profit:

	Group	
	2002	2001
	Shs'000	Shs'000
Depreciation on property, plant and equipment (Note 12)	64,494	65,208
Amortisation of leasehold land (Note 14)	899	-
Operating lease rentals	5,081	4,050
Staff costs (Note 3)	228,156	194,701
Auditors' remuneration - current year	3,889	3,986
- prior year	428	192
Directors' remuneration - fees	468	468
- for management	<u>7,792</u>	<u>6,383</u>

3 Staff costs

The following items are included within staff costs:

Termination benefits	2,151	3,853
Pension costs - defined benefit plans (Note 20)	2,599	2,129
- national social security fund (Note 20)	<u>6,738</u>	<u>5,110</u>

The number of persons employed by the group at the year end was 2,442 (2001: 2,511).

Notes forming part of the financial statements (continued)

4 Finance costs

	Group	
	2002	2001
	Shs'000	Shs'000
Interest income	86	65
Net foreign exchange losses	(10,264)	(8,980)
Interest expense	(18,084)	(23,574)
	<u>(28,262)</u>	<u>(32,489)</u>

5 Tax

Current tax	110	1,401
Deferred tax (Note 10)	22,183	2,800
Underprovision of current tax in prior year	6	758
	<u>22,299</u>	<u>4,959</u>

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	
	2002	2001
	Shs'000	Shs'000
Profit before tax	47,108	8,955
Tax calculated at the domestic rates applicable to profits in the countries concerned	14,027	2,314
Tax effect of:		
Income not subject to tax	(873)	(1,419)
Expenses not deductible for tax purposes	7,447	6,955
Underprovision of current tax in prior year	-	758
Underprovision of deferred tax in prior year	1,612	-
Deferred tax asset previously not recognised	-	(3,023)
Tax charge	<u>22,299</u>	<u>4,959</u>

6 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 21 March 2003, a final dividend in respect of the year ended 30 September 2002 of Shs 0.25 (2001: nil) per share amounting to a total of Shs 15,000,000 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)

7 Earnings per share

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

	2002	2001
Net profit (Shs '000)	24,809	3,996
Weighted average number of ordinary shares (thousands)	60,000	60,000
Basic earnings per share (Shs)	<u>0.41</u>	<u>0.07</u>

There were no potentially dilutive ordinary shares outstanding at 30 September 2002 or 2001. Diluted earnings per share is therefore the same as basic earnings per share.

8 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Authorised, issued and fully paid		
Balance at 1 October 2000, 1 October 2001 and 30 September 2002	<u>60,000</u>	<u>300,000</u>

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.

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%
Insurance Company of East Africa Limited	1,607,143	2.68%
Orthodox Archbishopric of Kenya and Irinoupoulis	871,429	1.45%
Mr. J.B. Emmett	701,778	1.17%
The Jubilee Insurance Co. Limited	573,214	0.96%
Raki Commodity Limited	535,714	0.89%
Ogura Trading Company Limited	514,286	0.86%
	<u>41,869,704</u>	<u>69.80%</u>
Other shareholders	<u>18,130,296</u>	<u>30.20%</u>
	<u>60,000,000</u>	<u>100.00%</u>

Notes forming part of the financial statements (continued)

9 Borrowings

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
Total borrowings	236,409	285,870	74,002	97,959
Less: current portion	(96,472)	(152,379)	(61,451)	(82,426)
Non-current portion	<u>139,937</u>	<u>133,491</u>	<u>12,551</u>	<u>15,533</u>

The borrowings are made up as follows:

Non-current

Bank borrowings	21,720	13,063	11,873	13,063
Related companies (Note 24)	111,322	114,088	-	-
Lease liabilities	<u>6,895</u>	<u>6,340</u>	<u>678</u>	<u>2,470</u>
	<u>139,937</u>	<u>133,491</u>	<u>12,551</u>	<u>15,533</u>

Current

Bank overdrafts	71,007	136,280	48,242	73,130
Bank borrowings	13,639	10,564	9,315	6,814
Lease liabilities	<u>11,826</u>	<u>5,535</u>	<u>3,894</u>	<u>2,482</u>
	<u>96,472</u>	<u>152,379</u>	<u>61,451</u>	<u>82,426</u>
Total borrowings	<u>236,409</u>	<u>285,870</u>	<u>74,002</u>	<u>97,959</u>

The borrowings include secured liabilities (lease liabilities and bank borrowings) in a total amount of Shs 102.5 million (2001 Shs 134.3 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	
	2002	2001	2002	2001
Weighted average effective rates at the year end were:				
- bank overdrafts - Kshs	15.3%	17.5%	15.5%	17.5%
- bank overdrafts - Tshs	-	14.8%	-	-
- bank borrowings - Kshs	16.5%	18.5%	16.5%	18.5%
- bank borrowings - Tshs	14.8%	-	-	-
- bank overdrafts - US\$	3.8%	4.8%	3.8%	4.5%
- bank borrowings - US\$	3.8%	4.8%	3.8%	4.5%
- lease liabilities	16.2%	19.4%	17.0%	19.0%

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

Notes forming part of the financial statements (continued)

9 Borrowings (continued)	Group		Company	
	2002	2001	2002	2001
Maturity of non-current borrowings (excluding finance lease liabilities):	Shs'000	Shs'000	Shs'000	Shs'000
Between 1 and 2 years	13,199	6,815	8,748	6,815
Between 2 and 5 years	8,521	6,248	3,125	6,248
Unspecified	<u>111,322</u>	<u>114,088</u>	-	-
	<u>133,042</u>	<u>127,151</u>	<u>11,873</u>	<u>13,063</u>
Finance lease liabilities				
- minimum lease payments:				
Not later than 1 year	14,217	7,412	4,419	3,231
Later than 1 year and not later than 5 years	<u>7,443</u>	<u>7,124</u>	<u>713</u>	<u>2,710</u>
	21,660	14,536	5,132	5,941
Future finance charges on leases	<u>(2,938)</u>	<u>(2,661)</u>	<u>(560)</u>	<u>(989)</u>
Present value of finance lease liabilities	<u>18,722</u>	<u>11,875</u>	<u>4,572</u>	<u>4,952</u>
Representing lease liabilities:				
- current	11,827	5,535	3,894	2,482
- non-current	<u>6,895</u>	<u>6,340</u>	<u>678</u>	<u>2,470</u>
	<u>18,722</u>	<u>11,875</u>	<u>4,572</u>	<u>4,952</u>
The present value of finance lease liabilities may be analysed as:				
Not later than 1 year	11,827	5,535	3,894	2,482
1-5 years	<u>6,895</u>	<u>6,340</u>	<u>678</u>	<u>2,470</u>
	<u>18,722</u>	<u>11,875</u>	<u>4,572</u>	<u>4,952</u>

Notes forming part of the financial statements (continued)

10 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2001: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	4,747	1,627	19,015	17,968
Profit and loss account charge/(credit)				
(Note 5)	22,183	2,800	(7,233)	1,047
Translation adjustment	(51)	320	-	-
At end of year	<u>26,879</u>	<u>4,747</u>	<u>11,782</u>	<u>19,015</u>

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

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax assets	(9,338)	(19,535)	-	-
Deferred tax liabilities	36,217	24,282	11,782	19,015
	<u>26,879</u>	<u>4,747</u>	<u>11,782</u>	<u>19,015</u>

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

Group	1.10.2001	Charged/ (credited) to P/L	Translation adjustment	30.9.2002
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Property, plant and equipment	90,166	803	(3,186)	87,783
Deferred tax assets				
Provisions	(7,726)	(3,021)	127	(10,620)
Tax losses carried forward	(77,693)	24,401	3,008	(50,284)
	<u>(85,419)</u>	<u>21,380</u>	<u>3,135</u>	<u>(60,904)</u>
Net deferred tax liability	<u>4,747</u>	<u>22,183</u>	<u>(51)</u>	<u>26,879</u>
Company	1.10.2001	Charged/ (credited) to P/L		30.9.2002
	Shs'000	Shs'000		Shs'000
Deferred tax liabilities				
Property, plant and equipment	22,698	1,441		24,139
Deferred tax assets				
Provisions	(3,683)	(1,695)		(5,378)
Tax losses carried forward	-	(6,979)		(6,979)
	<u>(3,683)</u>	<u>(8,674)</u>		<u>(12,357)</u>
Net deferred tax liability	<u>19,015</u>	<u>(7,233)</u>		<u>11,782</u>

Notes forming part of the financial statements (continued)

11 Provisions for liabilities and charges

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
Staff retirement gratuity				
At start of year	18,330	18,150	9,026	8,269
Charged to profit and loss account	9,260	1,542	4,995	1,046
Translation adjustment	(278)	(422)	-	-
Utilised during year	(880)	(940)	(355)	(289)
At end of year	26,432	18,330	13,666	9,026
Less: current portion	-	-	-	-
Non-current portion	26,432	18,330	13,666	9,026

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

12 Property, plant and equipment

Group	Land and Buildings	Sisal Development	Plant and Machinery	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Cost				
At start of year				
- as previously reported	203,779	287,966	272,847	764,592
- reclassification of leasehold land (Note 14)	(103,765)	-	-	(103,765)
As restated	100,014	287,966	272,847	660,827
Additions	4,163	50,712	29,141	84,016
Disposals	-	(3,943)	(4,136)	(8,079)
Translation adjustment	(916)	(8,552)	(6,162)	(15,630)
At end of year	103,261	326,183	291,690	721,134
Depreciation				
At start of year	4,799	85,802	130,940	221,541
Charge for the year	1,022	28,850	34,622	64,494
On disposals	-	(3,943)	(2,922)	(6,865)
Translation adjustment	(12)	(2,811)	(995)	(3,818)
At end of year	5,809	107,898	161,645	275,352
Net book amount				
At 30 September 2002	97,452	218,285	130,045	445,782
At 30 September 2001 (restated)	95,215	202,164	141,907	439,286

Notes forming part of the financial statements (continued)

12 Property, plant and equipment (continued)

Company	Land and Buildings Shs'000	Sisal Development Shs'000	Plant and Machinery Shs'000	Total Shs'000
Cost				
At start of year				
- as previously reported	84,830	75,456	84,932	245,218
- reclassification of leasehold land (Note 14)	(17,557)	-	-	(17,557)
	<u>67,273</u>	<u>75,456</u>	<u>84,932</u>	<u>227,661</u>
Additions	-	16,957	5,482	22,439
At end of year	<u>67,273</u>	<u>92,413</u>	<u>90,414</u>	<u>250,100</u>
Depreciation				
At start of year	2,756	17,481	50,914	71,151
Charge for the year	446	7,595	12,058	20,099
At end of year	<u>3,202</u>	<u>25,076</u>	<u>62,972</u>	<u>91,250</u>
Net book amount				
At 30 September 2002	<u>64,071</u>	<u>67,337</u>	<u>27,442</u>	<u>158,850</u>
At 30 September 2001 (restated)	<u>64,517</u>	<u>57,975</u>	<u>34,018</u>	<u>156,510</u>

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

	Group		Company	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
Cost - capitalised finance leases	31,471	14,086	10,041	5,315
Accumulated depreciation	(2,889)	-	(1,448)	-
Net book amount	<u>28,582</u>	<u>14,086</u>	<u>8,593</u>	<u>5,315</u>

In the opinion of the directors, there is no impairment of property, plant and equipment.

13 Investment in subsidiaries

	Company	
	2002 Shs'000	2001 Shs'000
Shares in subsidiaries at cost	134,175	134,175
Long term receivable from subsidiary	<u>100,341</u>	<u>100,341</u>
	<u>234,516</u>	<u>234,516</u>

Notes forming part of the financial statements (continued)

13 Investment in subsidiaries (continued)

The subsidiaries are Dwa Estate Limited and Wigglesworth Exporters Limited, which are incorporated in Kenya, and Ambani Plantations Limited and Amboni Spinning Mill Limited, which are incorporated in Tanzania. All companies are wholly owned.

The long term receivable is in respect of a loan due from Ambani 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.

In previous years, exchange differences arising on this loan were dealt with in the profit and loss account for the year. The accounting treatment prescribed by IAS 21 is for such exchange differences to be included in reserves until the loan is repaid. Prior year results have been restated to reflect this treatment. The amounts involved are:

	Group	
	2002	2001
	Shs'000	Shs'000
Exchange (losses) on loan to subsidiary	<u>(8,160)</u>	<u>(10,684)</u>

14 Prepaid operating lease rentals

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
Amount reclassified from property, plant and equipment (Note 12)	103,765	103,765	17,557	17,557
Amortisation	(843)	-	(138)	-
Translation adjustment	(56)	-	-	-
At end of year	<u>102,866</u>	<u>103,765</u>	<u>17,419</u>	<u>17,557</u>

Following clarification by the International Accounting Standards Board in January 2002 and further guidance by the Institute of Certified Public Accountants of Kenya, the group has reclassified leasehold land from property, plant and equipment to prepaid operating lease rentals to be carried at historical cost less amortisation over the period of the lease. The group holds various leasehold land titles, the remaining periods of which range from 59 years to over 900 years.

15 Non-current receivables

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
Amounts due from group companies	<u>-</u>	<u>-</u>	<u>120,941</u>	<u>163,017</u>

Notes forming part of the financial statements (continued)

16 Inventories

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
Raw materials at cost	9,118	9,293	-	-
Sisal fibre at cost	28,582	40,046	9,037	12,238
Sisal fibre at net realisable value	2,783	79	1,026	-
Finished goods at cost	5,835	19,998	-	-
Finished goods at net realisable value	17,260	4,345	-	-
Stores at cost less provision	74,173	81,684	11,057	10,030
	<u>137,751</u>	<u>155,445</u>	<u>21,120</u>	<u>22,268</u>

17 Receivables and prepayments

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	13,850	15,663	993	859
Prepayments	5,356	3,806	675	1,122
Amounts due from related companies (Note 24)	59,708	67,098	26,687	40,743
VAT refunds	22,883	30,263	5,707	11,041
	<u>101,797</u>	<u>116,830</u>	<u>34,062</u>	<u>53,765</u>

18 Cash and cash equivalents

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
Cash at bank and in hand	<u>7,629</u>	<u>2,599</u>	<u>4,602</u>	<u>1,329</u>

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

	Group	
	2002	2001
	Shs'000	Shs'000
Cash and bank balances as above	7,629	2,599
Bank overdrafts (Note 9)	(71,007)	(136,280)
	<u>(63,378)</u>	<u>(133,681)</u>

Notes forming part of the financial statements (continued)

19 Payables and accrued expenses

	Group		Company	
	2002	2001	2002	2001
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	31,196	39,048	8,145	9,106
Amounts due to related companies (Note 24)	21,484	30,423	29,666	37,133
Accrued expenses	19,668	18,852	7,258	6,339
Current VAT	190	-	-	-
	<u>72,538</u>	<u>88,323</u>	<u>45,069</u>	<u>52,578</u>

20 Retirement benefit obligations

The amounts recognised in the balance sheet are determined as follows:

	2002	2001
	Shs'000	Shs'000
Present value of funded obligations	28,161	22,198
Fair value of scheme assets	(27,496)	(21,230)
Net under funding in funded plan	665	968
Unrecognised actuarial losses	(665)	(968)
Liability/asset in the balance sheet	<u>-</u>	<u>-</u>

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

	2002	2001
	Shs'000	Shs'000
Current service cost	1,992	1,809
Interest cost	2,368	2,088
Expected return on plan assets	(2,326)	(1,947)
Net actuarial losses recognised in the year	565	179
Net charge for the year included in staff costs	2,599	2,129
Contributions paid	(2,599)	(2,129)
Movement in the liability/asset recognised in the balance sheet	<u>-</u>	<u>-</u>

The principal actuarial assumptions used were as follows:

	2002	2001
- discount rate	10%	10%
- expected rate of return on scheme assets	10%	10%
- future salary increases	8%	8%
- future pension increases	<u>0%</u>	<u>0%</u>

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 2002, the group contributed Shs 6,738,000 (2001: Shs 5,110,000) which has been charged to the profit and loss account.

Notes forming part of the financial statements (continued)

21 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.

22 Commitments

Capital commitments

There were no commitments for capital expenditure at the balance sheet date which were not recognised in the financial statements (2001: nil).

Operating lease commitments

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

	Group		Company	
	2002 Shs'000	2001 Shs'000	2002 Shs'000	2001 Shs'000
Not later than 1 year	2,903	3,306	480	-
Later than 1 year and not later than 5 years	8,478	9,691	200	-
Later than 5 years	-	1,009	-	-
	<u>11,381</u>	<u>14,006</u>	<u>680</u>	<u>-</u>

23 Cash generated from operations

	2002 Shs'000	2001 Shs'000
Reconciliation of profit before tax to cash generated from operations:		
Profit before tax	47,108	8,955
Adjustments for:		
Depreciation (Note 12)	64,494	65,208
Amortisation of prepaid operating lease rentals (Note 14)	843	-
Unrealised exchange differences	-	1,382
Profit on sale of property, plant and equipment	(1,260)	(2,544)
Interest income (Note 4)	(86)	(65)
Interest expense (Note 4)	18,084	23,574
Changes in:		
- receivables and prepayments	16,847	(29,827)
- inventories	9,770	(7,254)
- payables and accrued expenses	(17,687)	(23,874)
- provisions for liabilities and charges	8,380	602
Cash generated from operations	<u>146,493</u>	<u>36,157</u>

Non-cash transactions

The principal non-cash transactions are the acquisition of property, plant and equipment using finance leases (Note 12).

Notes forming part of the financial statements (continued)

24 Related party transactions

At the year end companies controlled by the Robinow family and their subsidiary and associated companies, owned 57% of the company's shares.

Afchem Limited, Aftex 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.

The following transactions were carried out with related parties:

i) Sales of goods and services

Shs'000	Group	
	2002 Shs'000	2001
Sisal fibre and yarns	<u>595,216</u>	<u>575,858</u>
Management services	<u>924</u>	<u>924</u>

ii) Purchase of goods and services

Purchase of services	<u>12,337</u>	<u>12,395</u>
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iii) Outstanding balances

Non-current related company borrowings	<u>111,322</u>	<u>114,088</u>
Related company receivables	<u>59,708</u>	<u>67,098</u>
Related company payables	<u>21,484</u>	<u>30,423</u>

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

Form of Proxy

**REA VIPINGO PLANTATIONS
ANNUAL GENERAL MEETING
21 MARCH 2003**

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/belalf at the Annual General Meeting of the Company to be held on the 21st of March 2003 and at any adjournment thereof.

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

Signature _____ Date _____ 2003

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 20th March 2003.
- 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.

First fold

Second fold

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

Third fold and tuck in edge

First fold