REA Vipingo Plantations Limited

Directors	The directors of the company are as follows
Ulrich Albers	*chairman*, aged 68, is a partner in Albers & Co, a leading international textile firm with its headquaters in Zurich; in addition to its traditional textile business, Albers & Co has a long history of operations in the sisal industry in East Africa and the supervision of those operations has been the responsibility of Mr. Albers for over 30 years.
Oliver Fowler	aged 44, has been a partner in Kaplan & Stratton since 1981. He has been involved in commercial legal practice for over 18 years. He is a director of Nyara Tea Estate Limited.
Richard Robinow	aged 51, 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 Padang Senang Holdings 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 61, 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 a member of the Export Promotion Council and is chairman of the Kenya Tea Growers Association.
Fabian Tibeita	aged 53, 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 27 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.

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

Notice of meeting

Notice is hereby given that the second annual general meeting of the company will be held at Mayfair Court Hotel, Nairobi, on Friday 7 March 1997, at 10.00 am for the following purposes

As ordinary business

1. (a) To confirm the Minutes of the Extraordinary General Meeting held on 8 February 1996.

   (b) To confirm the Minutes of the first Annual General Meeting held on 8 March 1996.

2. To receive and consider the company's annual report for the year ended 30 September 1996.

3. To declare a first and final dividend for the year ended 30 September 1996 at the rate of sh 1.70 per ordinary share.

4. To elect directors.

5. To approve the directors' remuneration for the year ending 30 September 1997.

6. To note that Messrs Coopers & Lybrand continue as auditors under the provisions of section 159(2) of the Companies Act (Cap. 486).

7. To authorise the directors to agree the auditor's remuneration.

By order of the board

I R HODSON
Secretary
1 February 1997

Chairman's statement

Many of you reading this report will have become shareholders as a result of the public offer of shares which was made in March of last year. The offer was an overwhelming success. The eight million shares on offer were heavily oversubscribed. We now have over five thousand shareholders and the large number of transactions on the Nairobi Stock Exchange are an indication of the interest in the company.

The accompanying accounts show the results of the group for its second accounting period. The first accounts were for a period of five months only and so these accounts cover the first full year of operations. I am pleased to be able to report that the profit before tax amounted to Ksh 97.7 million, which is ahead of the forecast made in the prospectus of 1 March 1996.

The total production of raw fibre produced by the group was 11,023 tonnes which was 97 per cent of the targeted production for the year. The firm prices for sisal fibre to which I referred in my previous report continued throughout the year although the benefit to the group was moderated somewhat by the relative strength of both the Kenyan and Tanzanian shilling against the US dollar.

As shareholders will note from the accompanying accounts, continuation of the group's planned development programme involved substantial further investment during the year. Total capital expenditure incurred amounted to some Ksh 97 million.

Last year I advised you that, taking into account certain dividend waivers by the company's principal shareholders, it was anticipated that the dividend for 1995/96 would be at the rate of shs 1.70 per ordinary share at a total cost to the company of approximately Ksh 43 million. I am pleased to be able to report to you that all of your directors' expectations with regard to the financial performance of the company have been met and therefore your board has now formally recommended that you pass a resolution authorising the payment of a first and final dividend for the financial year at the projected rate of Ksh 1.70 per ordinary share. In the absence of unforseen circumstances your directors would hope that the dividend for the incoming year would be maintained at the same amount as for 1995/96, namely Ksh 43 million (although shareholders may like to be reminded that the dividend waivers by the principal shareholders expire with the 1995/96 dividend).

With regard to the future, although sisal prices have remained good during the early months of the current year, there are indications that the market may have reached its peak for the foreseeable future. Indeed there is now a marked reluctance on the part of consumers to accept the lower grades of sisal at current prices. However your directors are firmly convinced that the gradual expansion of production and rationalisation of activities which are now being implemented and will continue over the next few years will ensure the continuing success of your company.

Finally, on behalf of the board, I wish to convey my appreciation to all of the group's staff for their continuing effort and support.

ULI ALBERS
Chairman

Review of operations

The review of operations provides information on the group's operations. Areas are given as at 30 September 1996 and crops are stated for the whole year ended on that date and referred to as the 1996 crop year.

THE ESTATES

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	1,543
Immature sisal	600
Nurseries	40
Other areas	6,807
	8,990

The crop for 1996 was 3,305 tonnes.

As stated previously, it is the group's intention to utilise more fully the land and other resources available at Dwa and to this end annual planting has progressively increased since 1993. The planting season at Dwa is prior to the main rains in this area, which are in November. In October 1995, 320 hectares were planted and, in October 1996, 490 hectares. The on-going planting at Dwa will settle at a slightly lower level than in 1996.

Significant capital expenditure has been and continues to be incurred at Dwa in preparation for the increased crop which will progressively become available.

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	2,928
Immature sisal	527
Nurseries	43
Other areas	452
	3,950

The crop for 1996 was 3,622 tonnes.

Planting at Vipingo is carried out prior to the May rains and in 1996 planting was increased to 294 hectares. From 1997, planting will revert to 230 hectares per annum.

In addition to the sisal operations, Vipingo maintains a quality herd of Boran cattle numbering 2,585 head at financial year end. Revenue from the sale of cattle for beef provides a useful contribution.

Amboni

The Amboni estates comprising four separate properties with a total area of 21,240 hectares, contributed 4,096 tonnes of fibre to the group's 1996 crop. Rainfall and weather conditions were satisfactory. The standard of field operations has improved further, with special attention given to the cultivation of proper planting material for future expansion.

The total estate area was made up as follows

Mature sisal	3,208
Immature sisal	990
Nurseries	79
Other areas	16,963
	21,240

In addition to the electric generator already operating at the group's Sakura estate, a generator was installed at Mwera estate with the aim of mitigating the adverse effects of electric power interruptions. Representing over 36 per cent of total output, production of high quality fibre was encouraging. 38 per cent of the group's fibre production was used in the Tanga Spinning Mill for the manufacture of sisal twine and yarn.

The Amboni group of estates planted 440 hectares in 1996 and it is anticipated that 460 hectares will be planted in 1997.

Tanga Spinning Mill

With an annual production in 1996 of above 4,300 tonnes of spun product, the Tanga Spinning Mill maintained its position as a leading East African sisal spinner. The mill continues to supply customers world-wide, but particularly in the Far East, and is renowned for the outstanding quality of its medium and fine yarns for speciality end-uses.

In order to benefit from the significant price differential between baler twine and finer sisal yarns, the mill has adopted a policy which provides for the gradual substitution of baler twine by higher-valued medium and fine yarns. Consequently, two additional gill spinners suitable for the production of fine yarns were acquired and commissioned by the mill during the latter half of 1996. The directors are hopeful that the increased medium and fine yarn spinning capacity will lead to improved revenue per tonne produced.

During the course of the year duty amounting to approximately Ksh 18 million paid in previous years on imported raw materials was recovered under the duty drawback scheme. For some years, the mill has experienced unpredictable delays in obtaining refunds under the scheme Active steps continue to be taken to recover all amounts due but the directors have considered it prudent to continue the established policy of Amboni Limited of not accruing for such amounts but accounting for them only as and when received.

MARKETING

Exported sisal fibre and products from the group's estates and the Tanga spinning mill have for many years been sold through a related company, Wigglesworth & Co and this arrangement continued through the year to 30 September 1996. 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 accounts of the company and its subsidiaries for the year ended 30 September 1996.

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 comprised the cultivation of sisal and the production of sisal fibre and twines.

Results

The results for the period are set out in the profit and loss account.

Dividend

The directors have recommended a first and final dividend at the rate of one shilling and seventy cents per share.

Issue of shares

Pursuant to the prospectus issued on 1 March 1996, 8 million new shares were issued to the public at a price of Ksh 10.50 per share. A further 227,312 shares were issued as consideration in respect of a former 4 per cent minority shareholding in a subsidiary.

Directors

The directors who held office during the period were

Dr U Albers	Swiss	(Chairman)
Mr O M Fowler	Kenyan	(appointed 1 February 1996)
Mr R M Robinow	British	
Mr M arap Sang	Kenyan	
Mr F R Tibeita	Ugandan	(appointed 8 February 1996)

Auditors

The auditors, Coopers & Lybrand, will continue in office in accordance with section 159(2) of the Companies Act (Cap.486).

By order of the board

I R HODSON
Secretary
1 February 1997

Auditors' report

Report of the auditors to the members of REA Vipingo Plantations Limited

We have audited the accounts set out on pages 8 to 17. The accounts of the company set out on page 10 are in agreement with the books of account. We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

Under the provisions of the Companies Act, the directors are responsible for the preparation of accounts which give a true and fair view of the company's and group's state of affairs and the group's profit or loss. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Kenyan Auditing Standards. These standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the accounts. 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 accounts.

Opinion

In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of affairs of the company and of the group at 30 September 1996 and of the profit and cash flows of the group for the year then ended and comply with the Companies Act(CAP.486).

COOPERS & LYBRAND
Certified Public Accountants of Kenya
Nairobi

1 February 1997

Consolidated profit and loss account for the year ended 30 September 1996

	Notes	1996 12 months Ksh000	1995 5 months Kshs000
Turnover		536,899	169,510
Profit on ordinary activities before taxation	2	97,767	44,712
Tax on profit on ordinary activities	3	(11,507)	(3,530)
Profit on ordinary activities after taxation		86,260	41,182
Minority interest		(257)	(1,001)
Profit for the year		86,003	40,181
Dividend	4	(43,675)	(12,225)
Retained profit for the year	11(b)	42,328	27,956
Earnings per ordinary share	5	Sh 1.66	Sh 0.84
The retained profit for the period comprises			
parent company		5,758	3,082
subsidiaries		36,570	24,874

The accompanying notes are an integral part of these accounts.
Report of the auditors is on page 7.

Consolidated balance sheet 30 September 1996

	Notes	1996 Ksh000	1995 Ksh000
Fixed assets			
Tangible assets	6	406,228	334,803
Current assets			
Stocks	8	198,866	192,595
Debtors	9	93,627	151,902
Cash and bank		7,873	36,227
		300,366	380,724
Creditors up to one year	10	(245,015)	(370,416)
Net current assets		55,351	10,308
Total assets less current liabilities		461,579	345,111
Creditors over one year	11	(22,193)	(29,777)
Net assets		439,386	315,334
Capital and reserves			
Called-up share capital	12	280,000	238,863
Share premium account	12	84,496	43,730
Capital reserve	12	4,606	2,542
Profit and loss account	12	70,284	27,956
Shareholders' funds		439,386	313,091
Minority interest		-	2,243
Total capital employed		439,386	315,334

Approved by the board on 1 February 1997

U AL8ERS
Director

R M ROBINOW
Director

The accompanying notes are an integral part of these accounts.
Report of the auditors is on page 7.

Company balance sheet
30 September 1996

	Notes	1996 Ksh000	1995 Ksh000
Fixed assets			
Tangible assets	6	125,749	106,920
Investments	7	117,476	114,975
		243,225	221,895
Current assets			
Stocks	8	16,186	19,185
Debtors	9	193,268	169,361
Cash and bank		1,025	1,691
		210,479	190,237
Creditors up to one year	10	(80,368)	(126,457)
Net current assets		130,111	63,780
Net assets		373,336	285,675
Capital and reserves			
Called-up share capital	12	280,000	238,863
Share premium account	12	84,496	43,730
Profit and loss account	12	8,840	3,082
Total capital employed		373,336	285,675

Approved by the board on 1 February 1997

U ALBERS
Director

R M ROBINOW
Director

The accompanying notes are an integral part of these accounts.
Report of the auditors is on page 7.

Consolidated cash flows for the year ended 30 September 1996

	1996 12 months Ksh000	1995 5 months Ksh000
Cash flows from operating activities		
Net profit before taxation	97,767	44,712
Adjustments for		
Depreciation	27,576	8,154
Foreign exchange	909	1,585
Investment income	(3,646)	(1,600)
Interest expense	33,212	12,134
Profit on sale of assets	(3,550)	-
Operating profit before working capital changes	152,268	64,985
(Increase) in stock	(6,271)	(62,394)
Decrease in debtors	58,275	45,777
(Decrease) in creditors	(151,323)	(100,078)
Cash generated from operations	52,949	(51,710)
Income taxes paid	(6,506)	-
Net cash from operating activities	46,443	(51,710)
Return on investments and servicing of finance		
Interest received	3,646	1,600
Interest paid	(33,212)	(12,134)
Dividends paid	(12,222)	-
Net cash flow from investments and servicing of finance	(41,788)	(10,534)
Cash flows from investing activities		
Acquisition of estate	-	(46,766)
Acquisition of subsidiaries, net of cash acquired	-	(151,070)
Purchase of tangible fixed assets	(97,335)	(23,386)
Proceeds from sale of tangible fixed assets	4,998	77
Net cash from investing activities	(92,337)	(221,145)
Cash flows from financing activities		
Proceeds from issuance of share capital, net of expenses	76,403	282,593
Proceeds from long-term borrowings	-	275
Payment of loans	-	(41,422)
Net cash from financing activities	76,403	241,446
Net (decrease) in cash and cash equivalent	(11,279)	(41,943)
Effect of exchange rate changes	1,041	(3,998)
Cash and cash equivalents of beginning at period	(45,941)	-
Cash and cash equivalents at end of period	(56,179)	(45,941)
Represented by:		
Cash and bank	7,873	36,227
Bank overdraft	(64,052)	(82,168)
	(56,179)	(45,941)

Notes to accounts

1 **Accounting policies**

The accounts are prepared in accordance with the historical cost convention. The following is a summary of the more important accounting policies used.

(a) *Basis of Consolidation*

The group accounts consolidate those of the company and its subsidiary companies, made up to 30 September 1996. Results of subsidiaries acquired or disposed of are consolidated from the date of acquisition or up to the date of disposal.

(b) *Fixed assets and depreciation*

Fixed assets are stated at cost to the group.

Depreciation is calculated to write off the costs of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are

Buildings	2 percent
Planted sisal	12.5 percent
Motor vehicles	20 percent
Other plant and machinery	10 percent

Leasehold land is not depreciated as unexpired leases are for terms in excess of 50 years or are renewable.

(c) *Stocks and work in progress*

Stocks and work in progress are stated at the lower of cost and net realisable value. The net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of the realisation and, where appropriate, the cost of conversion from its existing state to a finished condition.

(d) *Taxation*

Taxation is provided in the profit and loss account at the rate of tax for the particular year applied to the profits adjusted for available allowances and reliefs and after the deduction of any available tax losses.

Provision is made for deferred taxation except in respect of taxation which can reasonably be expected to continue to be deferred for the foreseeable future.

(e) *Turnover*

Turnover is the aggregate invoiced value of goods and services rendered.

(f) *Foreign currencies*

Assets and liabilities expressed in foreign currencies are translated to Kenya shillings at the rates of exchange ruling at the year end. Transactions in foreign currencies are translated at the rate ruling on the transaction date. Exchange adjustments are included in the profit and loss account.

For consolidation purposes, the results and year end balances of Tanzania operations are translated using the average and closing rates respectively.

(g) *Finance Leases*

Finance charges for assets held under finance leases are allocated using a constant rate of return on the outstanding balance.

(h) *Pension Costs*

The anticipated costs of providing retirement benefits under defined benefit pension schemes are charged to the profit and loss account over the working life of scheme members.

2 Profit on ordinary activities before taxation

This is stated after charging

	1996 12 months Ksh000	1995 5 months Ksh000
Depreciation	27,576	8,154
Directors fees	280	60
Auditors' remuneration:		
Current year (company Ksh 650,000)	2,524	1,246
Prior year (company Ksh 290,000)	1,056	-
Interest payable	33,212	12,134
and after crediting		
Interest receivable	3,646	1,600

3 Tax on profit on ordinary activities

The charge is based on the profit for the period adjusted for taxation purposes. The charge for the group is below the normal rate of company taxation due to the availability of tax losses in subsidiary companies and timing differences relating to sisal development.

4 Dividend

The amount shown is a first and final dividend for the year to 30 September 1996 of Ksh 1.70 per ordinary share. This is payable on 25,690,992 shares as the holders of the remaining shares have waived their right to dividend.

5 Earnings per share

Earnings per share are calculated by reference to the profit after tax and minority interest and based on 51,782,159 shares being the average number of ordinary shares in issue during the period.

Notes to the accounts *continued*

6 Tangible fixed assets

The movement in the period was as follows

(a) *Consolidated balance sheet*

	Land buildings and sisal development Ksh000	Plant and machinery Ksh000	Total Ksh000
Cost			
Beginning of year	248,430	94,527	342,957
Foreign exchange adjustment	1,406	1,564	2,970
Additions	41,169	56,166	97,335
Disposals	-	(5,628)	(5,628)
End of year	291,005	146,629	437,634
Depreciation			
Beginning of year	2,401	5,753	8,154
Foreign exchange adjustment	(81)	(63)	(144)
Charge	9,321	18,255	27,576
Disposals	-	(4,180)	(4,180)
End of year	11,641	19,765	31,406
Net book value			
End of year	279,364	126,864	406,228
Beginning of year	246,029	88,774	334,803

(b) *Company balance sheet*

	Land, buildings and sisal development Ksh000	Plant and machinery Ksh000	Total Ksh000
Cost			
Beginning of year	91,659	16,790	108,449
Additions	10,484	13,309	23,793
Disposals	-	(1,575)	(1,575)
End of year	102,143	28,524	130,667
Depreciation			
Beginning of year	331	1,198	1,529
Charge	945	2,700	3,645
Disposals	-	(256)	(256)
End of year	1,276	3,642	4,918
Net book value			
End of year	100,867	24,882	125,749
Beginning of year	91,328	15,592	106,920

The registration of certain title deeds relating to properties belonging to the group has yet to be formalised.

7 Fixed asset investments

	1996	1995
Company balance sheet	Ksh000	Ksh000
Shares in subsidiaries	117,476	114,975

The subsidiaries are Dwa Estate Limited, a wholly owned subsidiary which is incorporated in Kenya, and Amboni Limited, a wholly owned subsidiary(1995-96 per cent) which is incorporated in Tanzania. The previous 4 per cent minority interest in Amboni Limited was acquired during the year in exchange for the issue of 227,312 ordinary shares at an issue price of shs 11.00 per share.

8 Stocks

	1996	1995
(a) *Consolidated balance sheet*	Ksh000	Ksh000
Sisal fibre and sisal twine	100,412	101,091
Spares, lubricants, chemicals and stores	97,035	89,990
Livestock	1,419	1,514
	198,866	192,595
(b) *Company balance sheet*		
Sisal fibre	10,534	14,476
Spares, lubricants, chemicals and stores	4,233	3,195
Livestock	1,419	1,514
	16,186	19,185

9 Debtors

	1996	1995
(a) *Consolidated balance sheet*		
Due within one year	Ksh000	Ksh000
Trade debtors	27,517	63,604
Related companies	66,110	88,298
	93,627	151,902
(b) *Company balance sheet*		
Due within one year		
Trade debtors	9,365	30,529
Group debtors	166,149	128,527
Related companies	7,449	-
	182,963	159,056
Due after one year		
Group debtors	10,305	10,305
	193,268	169,361

Notes to the accounts *continued*

10 Creditors up to one year

(a) *Consolidated balance sheet*

	1996 Ksh000	1995 Ksh000
Bank loans and overdrafts	(64,052)	(82,168)
Trade creditors	(92,724)	(197,275)
Related companies	(31,580)	(75,218)
Taxation	(10,127)	(3,530)
Dividend	(43,677)	(12,225)
Finance leases	(2,855)	-
	(245,015)	(370,416)

(b) *Company balance sheet*

	1996 Ksh000	1995 Ksh000
Bank loans and overdrafts	(9,689)	(18,375)
Trade creditors	(11,083)	(29,636)
Related companies	(6,818)	(62,691)
Taxation	(8,532)	(3,530)
Dividend	(43,677)	(12,225)
Finance leases	(569)	-
	(80,368)	(126,457)

The bank loans and overdrafts are secured by debentures and charges over the properties of the company and the group.

11 Creditors over one year

Consolidated balance sheet

	1996 Ksh000	1995 Ksh000
Loans	(800)	(2,685)
Related company	(21,393)	(27,092)
	(22,193)	(29,777)

12 Capital and reserves

(a) *Share capital*

	1996 Ksh000	1995 Ksh000
Authorised		
Ordinary shares of Ksh5 each	280,000	240,000
Called-up		
Ordinary shares of Ksh5 each	280,000	238,863

The authorised share capital of the company was increased by the creation of 8,000,000 ordinary shares of Ksh 5 each authorised by the members at an extraordinary general meeting held on 8 February 1996.

During the year 8,000,000 ordinary shares were issued for cash at Ksh 10.50 per share.

A further 227,312 ordinary shares were issued in consideration for the purchase of the former minority interest in Amboni Limited.

(b) *Reserves - Consolidated balance sheet*

	Capital reserve Ksh000	Share premium account Ksh000	Profit and loss account Ksh000
Beginning of year	2,542	43,730	27,956
Issue of shares (less issue costs)	-	40,766	-
Foreign exchange translation	2,064	-	
Retained profit for year	-	-	42,328
End of year	4,606	84,496	70,284

The capital reserve arises from foreign exchange adjustments in relation to the Tanzanian subsidiary.

(c) *Reserves - Company balance sheet*

	Share premium account Ksh000	Profit and loss account Ksh000
Beginning of year	43,730	3,082
Issue of shares (less issue costs)	40,766	-
Retained profit for the year	-	5,758
	84,496	B,840

13 Commitments

In addition the group had capital commitments as follows

	1996 Ksh000	1995 Ksh000
Contracted but not provided for	-	-
Authorised but not contracted for	60,537	74,219

14 Related party transactions

Substantially all of the group's turnover is exported and is sold through Wigglesworth & Co which is a subsidiary of R.E.A. Holdings plc, one of the company's principal shareholders; all sales are transacted in accordance with an agency agreement entered into at an arm's length basis at appropriate world market prices for the relevant grades of sisal fibre and of finished product.

The group incurred technical advisory fees amounting to Ksh 9 million in respect of technical and other services negotiated on an arm's length basis and which are payable to subsidiary and associated companies of R.E.A. Holdings plc and the other principal shareholder, Albers & Co.

The group received Ksh 14 million for administrative and accounting services in Tanzania provided on an arm's length basis to subsidiary and associated companies of the two principal shareholders, while a subsidiary of R.E.A. Holdings plc provided similar services in Kenya to the group on a similar basis at a cost of Ksh 5.7 million.

Balances between the group and related companies at the year end arose from transactions in the normal course of business and at arm's length. It includes expenses paid by the group and related companies on behalf of each other and temporary advances given to each other.

The group purchased machinery and other supplies from a subsidiary of R.E.A. Holdings plc amounting to Ksh 12.6 million at prices equivalent to world market prices for the relevant items.

The group paid legal fees amounting to Ksh 1.1 million calculated at standard charging rates for the services provided by a firm of advocates of which Mr O M Fowler is a partner.

Report of the auditors is on page 7

REA VIPINGO
PLANTATIONS

FORM OF PROXY

ANNUAL GENERAL MEETING

7 MARCH 1997

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 7th of March 1997 and at any adjournment thereof.

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

Signature ______________________ Date ______________ 1997

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 not later than 10.00 a.m. on Thursday 6th March 1997.

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.

Cut here

First fold

Second fold

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

Third fold and tuck in edge

First fold