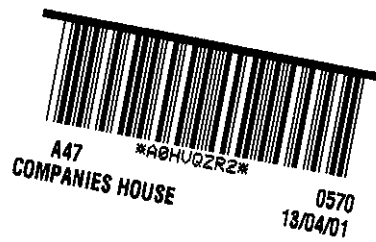


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*R. E. A.*

**R. E. A. Holdings plc**

**Annual Report 2000**



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# R.E.A. Holdings plc

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## Directors

R M Robinow<sup>+</sup>  
(Chairman)

Joined board in 1978; chairman since 1984. After early merchant banking experience, has been engaged principally in the financial and plantation sectors. Non-executive but actively involved for the major part of his working time in the management of the group. (Age 55)

N E Newby  
(Managing director)

Joined board in 1978 as managing director. Previous activities included tea planting and stockbroking. Has particular responsibility for the group's plantation interests. (Age 56)

J M Green-Armytage

Independent non-executive director from 1984 to 1994. Rejoined board in non-executive capacity in 1997. Chairman of JZ Equity Partners PLC and of International Biotechnology Trust PLC and a non-executive director of a number of other companies. (Age 55).

J R M Keatley<sup>+</sup>

Senior independent non-executive director from 1975 to 1983 (chairman 1978 to 1983). Rejoined board in non-executive capacity in 1985 and is now chairman of the audit, remuneration and nomination committees. Has had wide interests in the fertiliser business. Managing director of NPK Holdings Limited. (Age 67)

L E C Letts<sup>+</sup>

Independent non-executive director since 1989. Directorships include Kuala Lumpur Kepong Berhad, Malaysia; Rheem (Far East) Pte Limited, Singapore; Farming Management Services Pty Limited, Western Australia. (Age 82)

J C Oakley

Joined board in 1985. Early experience was in merchant banking. Has particular responsibility for the group's Indonesian operations and special corporate projects within the group. (Age 52)

+ member of the nomination committee

\* member of the audit committee

## Secretaries and registered office

R.E.A. Services Limited  
7 Bedford Square,  
London WC1B 3RA

## Registrars and transfer office

Capita IRG plc  
Balfour House, 390/398 High Road,  
Ilford, Essex IG1 1NQ

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# Notice of meeting

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Notice is hereby given that the annual general meeting of the company will be held at 7 Bedford Square, London WC1B 3RA, on 3 May 2001, at 10.20 am (or as soon thereafter as the extraordinary general meeting convened for 10.15 am on the same day shall have been concluded or adjourned) for the following purposes

*As ordinary business*

- 1 To receive and consider the company's annual report for the year ended 31 December 2000.
- 2 To re-elect Mr L E C Letts, who retires by rotation, as a director.
- 3 To re-elect Mr N E Newby, who retires by rotation, as a director.
- 4 To re-appoint Arthur Andersen, chartered accountants, as auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company and to authorise the directors to fix the remuneration of the auditors.

*As special business*

To consider and if thought fit to pass the following resolution as an ordinary resolution

5 That

subject as hereinafter provided the purchase by the company of up to 242,500 warrants of the company, as constituted by deed poll dated 10 May 1996 ("warrants") be and is hereby authorised provided always that

(i) the price to be paid for the warrants shall be not more than 5 per cent above the average of the market values for the warrants for the five business days immediately preceding the date of purchase;

(ii) the authority given by this resolution shall expire at the conclusion of the next annual general meeting at which accounts are laid before the company.

10 April 2001

*By order of the board*  
R.E.A. SERVICES LIMITED  
*Secretaries*

A member of the company entitled to attend and vote at the meeting may appoint one or more proxies to attend and on a poll vote instead of him or her. A proxy need not be a member. The instrument appointing a proxy must be deposited at the office of the registrars not less than forty-eight hours before the time appointed for holding the meeting. The appointment of a proxy will not prevent a member from attending and voting at the meeting should he or she wish to do so.

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The register of directors' interests, showing any transactions of directors and of their families in the securities of the company, will be available for inspection at 7 Bedford Square, London WC1B 3RA, the registered office of the company, during normal business hours on each business day.

Holders of the 9 per cent cumulative preference shares and the warrants are entitled to receive a copy of the annual report but not to attend and vote at the annual general meeting.

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# Chairman's statement

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## Results

The profit before taxation for 2000, as shown in the accompanying consolidated profit and loss account, and the comparative figure for 1999, may be analysed as shown in the following table

	2000 £'000	1999 £'000
Normal profits		
Continuing operations	233	347
Discontinued operations	(133)	-
Sale of assets and investments	<u>524</u>	<u>265</u>
	<u>624</u>	<u>612</u>

As may be deduced from the above table, the group was again moderately successful in 2000 in divesting assets and businesses at a profit but normal profits from continuing operations represented only a very low return on the capital deployed in those operations.

This situation was not unexpected given that an ever increasing proportion of the group's assets is being committed to the oil palm development project in Indonesia. With that project only beginning to approach maturity, the group remained, during 2000, largely dependent for its continuing profits upon the results of its other remaining agricultural businesses and the profit potential of those businesses is limited. Nevertheless, the results from continuing operations were a little disappointing with poor prices and unsatisfactory weather combining to depress the results from Bangladesh, East Africa and North America being all of the group's established agricultural operations.

Also very disappointing was the fact that growing production from the Indonesian project (55,000 tonnes of fresh fruit bunches against 18,000 tonnes in 1999) was accompanied by falling prices for crude palm oil so that the hoped for increasing contribution from the project to group results failed to materialise.

## Group development

As already noted, the group continued during 2000 to divest assets and investments. The main transactions were the sales of much of the remaining merchanting operations, of almost all of the residual assets in East Africa (comprising interests in Kenyan development land) and of the UK based wire rope core manufacturing operation (which was 51 per cent owned).

The sale of the East African residual assets was accompanied by the purchase of additional shares in REA Vipingo Plantations Limited ("RVP") which, although contrary to the group's established policy of progressively divesting non-Indonesian assets, was made to facilitate the sale of the residual assets and to simplify the group's interests in East Africa. The balance of the proceeds from the divestments was applied in financing further investment in the Indonesian project to which the group continued, throughout 2000, to commit funds.

## Net assets

The 2000 balance sheet includes revaluations of all group properties and estates. As in the past, the net overall revaluation has been combined with various exchange translation adjustments. These arise mainly from the impact of currency fluctuations on the

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translation into sterling of the local currency values of overseas estates. In revaluing the property underlying the Indonesian project, the directors have made special provision for the present political and economic uncertainties of Indonesia.

#### **Dividends**

The two semi-annual dividends accruing in 2000 on the 9 per cent cumulative preference shares were paid. No dividends in respect of 2000 have been paid or are proposed on the ordinary shares.

#### **Staff**

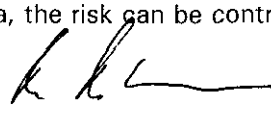
Together with the other directors, I extend our thanks to all of the group's staff for their continued hard work and support.

#### **Prospects**

The 2000 annual report, of which this statement forms part, is being despatched to shareholders together with a circular setting out various proposals for approval by shareholders. Pursuant to those proposals, it is intended that the group should continue its divestment programme with sales of the long leasehold interest in the group's present head office property at 7 Bedford Square and of R.E.A. Trading Limited, a wholly owned subsidiary of the company owning the entire group holding in RVP together with the group's remaining merchanting and North American assets. Concurrently with those divestments, it is proposed that additional monies be raised by way of an underwritten open offer of new ordinary shares. The proceeds from the divestments and open offer would be applied in discharging all outstanding loan indebtedness of the group and in financing further investment in the Indonesian project.

An effect of the above mentioned proposals, if approved, will be further to focus the group on the Indonesian oil palm project and to bring closer the time when that project will represent the sole business of the group. As previously stated, the directors believe that the significant upside that the project offers has the potential to lift the group's profits to a much higher level and thereby transform the scale of the group's activities. Operationally, that potential is now close to realisation with the first phase of the project approaching maturity and the original completion risks substantially eliminated. Nevertheless, significant political and economic risks still remain to be surmounted. Of these, the most immediately critical is the requirement to sustain the project financially until it becomes self-supporting. It is hoped that implementation of the proposals will achieve this but, with continuing uncertainties both as to future crude palm oil prices and as to future arrangements with other financiers of the project, this cannot be certain.

Nevertheless the directors remain optimistic that the Indonesian oil palm project will be successfully completed. Whilst they recognise that the company now represents a high risk, high reward investment for its shareholders, they believe that, absent a political catastrophe in Indonesia, the risk can be controlled and the reward secured.

RICHARD M ROBINOW   
*Chairman*

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# Review of operations

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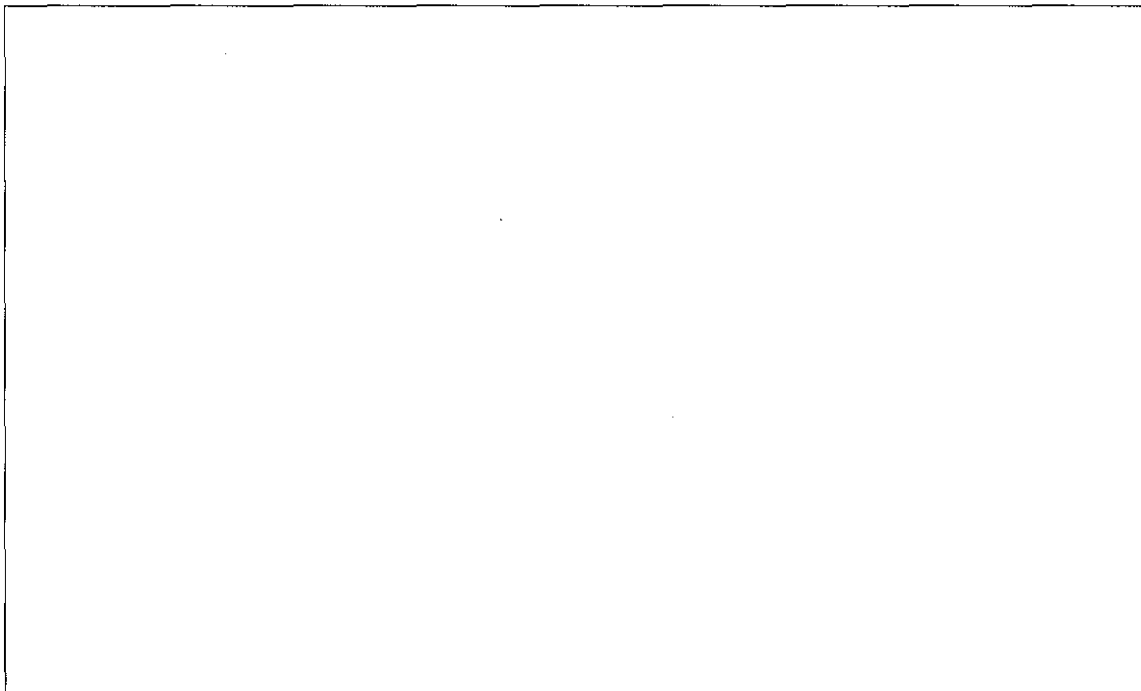
## PLANTATIONS

### Bangladesh

The group's plantation interests in Bangladesh are held by a 50 per cent associate, Deundi Tea Company Limited ("Deundi").

Deundi's operations comprise three estates, each of a total area of approximately 1,000 hectares and all situated some 200 kilometres north of Chittagong. The overall areal composition at 31 December 2000 was as follows

	<i>Ha</i>
Mature tea	1,581
Immature tea	<u>99</u>
	1,680
Nurseries	20
Plantable reserve	127
Other	<u>1,313</u>
	<u>3,140</u>



The continuing deleterious effect of the severe 1999 drought, coupled with another year of abnormal growing conditions, again resulted in a poor crop. The result was a harvest of 2,410 tonnes, as compared with the record crop of 2,779 tonnes achieved in 1998. However, notwithstanding the unsatisfactory weather, the general vigour of the tea bushes, and in particular of the young clonal plantings, had by year end, recovered to former levels.

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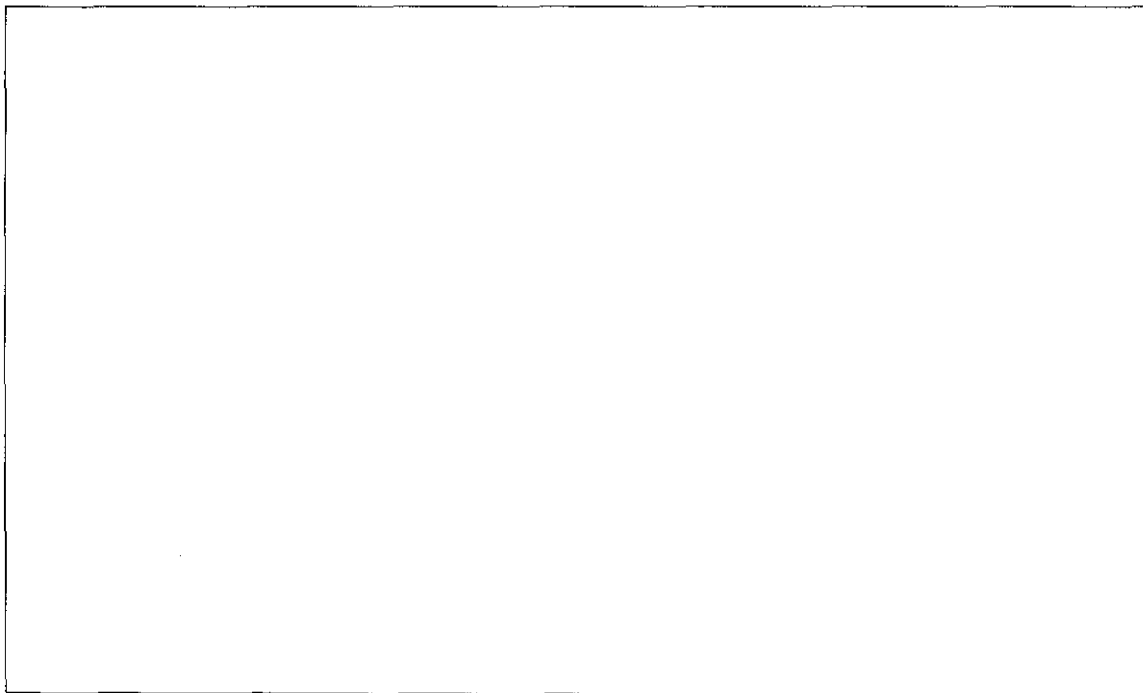
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The average price achieved in 2000 for Deundi's teas was Tk60 per kilogramme, identical with the average price of the previous year. The results from Deundi were similarly disappointing, albeit that the better crop meant that the company at least traded at close to breakeven.

More normal climatic conditions should permit the past trend of increasing tea crops to be resumed and that, in turn, even at the depressed level of tea prices of the past two years, would mean that a significantly better performance could reasonably be expected from Deundi. This would, of course, be further improved by any uplift in tea prices.

### **East Africa**

At the outset of 2000, the group's interests in East Africa comprised a 36 per cent investment in REA Vipingo Plantations Limited ("RVP"), a Kenyan company listed on the Nairobi Stock Exchange, and certain other assets (principally comprising interests in Kenyan development land) that were being held with a view to ultimate divestment. Towards the end of the year, agreement was reached with the group's former partners in East Africa, the Albers group, on a swap of interests. This resulted in the sale of the Kenyan development land interests and the acquisition of additional shares in RVP so that the group ended 2000 with an increased interest in RVP of 46 per cent.



RVP's own interests comprise the Dwa and Vipingo sisal estates in Kenya and the Amboni estates and sisal spinning mill in Tanzania. Dwa is situated adjacent to the main road linking Nairobi and Mombasa, at approximately the midpoint, while Vipingo lies some 30 kilometres north of Mombasa overlooking the Indian Ocean. At the start of 2000, the Amboni estates comprised four properties of which three were under sisal and the fourth was lying fallow. A rationalisation of the Tanzanian operations completed in June 2000 resulted in the sale of the

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## Review of operations *continued*

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fallow property and of one of the sisal properties so that by year end the Amboni estates had been reduced to two sisal properties. These are adjacent to each other and are located on the edge of the Indian Ocean not far from the port of Tanga. The sisal spinning mill is sited some 15 kilometres west of Tanga on the main Tanga to Dar es Salaam road.

At 30 September 2000 (the end of RVP's last financial year), the overall areal composition of the RVP group estates was as follows

	<i>Ha</i>
Mature sisal	7,223
Immature sisal	<u>2,378</u>
	9,601
Nurseries	140
Other areas	<u>14,669</u>
	<u>24,410</u>

The total sisal raw fibre crop from the retained RVP group estates for the year to 30 September 2000 was 11,354 tonnes. This was substantially in line with the preceding year's crop of 11,588 tonnes but nevertheless a disappointing result reflective of the severe drought that affected much of the hinterland of Kenya during 2000 and which had a particularly negative impact on crops from Dwa. In the spinning mill, spun fibre output at 2,155 tonnes was also much in line with the output level of the preceding year (2,245 tonnes).

Raw fibre prices, which had begun to weaken during 1999, continued to fall in the early part of 2000. The weak market has been attributed to an imbalance of supply and demand brought about by a build up of stock by certain producers of African sisal coupled with destocking by consumers who could see the market weakening. Excess stocks appear largely to have been absorbed in the second quarter of 2000 since when the sisal market has progressively recovered to higher levels. Prices for spun fibre proved less volatile but prices achieved for product from the Amboni spinning mill were adversely affected by quality control problems in the manufacturing process. The recovery in raw sisal prices came too late to have much impact on the RVP group's results for its year to 30 September 2000 and, in consequence, its contribution to the group's 2000 results was a loss.

The initial months of RVP's current year have been more encouraging. Improving sale prices for raw fibre have been accompanied by good production and the benefit of better sales revenues will be enhanced by the significant reduction in Tanzanian overheads that has resulted from the June 2000 rationalisation of the Tanzanian operations. Nevertheless some uncertainties remain both as respects the ability of the RVP group to achieve the quality of spun fibre that international markets require (although a major new attempt to improve the manufacturing process in the spinning mill is in hand) and also as respects the debt burden that the RVP group continues to carry. With a debt equity ratio of slightly over 50 per cent, this latter is not, by normal international standards, excessive when viewed in balance sheet terms but, at the very high levels of interest rates currently prevailing in Kenya and Tanzania, it does result in an uncomfortably high proportion of RVP group revenues being applied in payment of interest

Following divestment of the interests in the Kenyan development properties, the group's only remaining East African investment outside of RVP is a continuing 42 per cent interest in the Mkwaja ranch in Tanzania comprising some 28,000 hectares that were formerly utilised as a cattle ranch. The land would be well suited for a game park or other tourist development and efforts to sell it continue. The value involved is not now material in the context of the group.

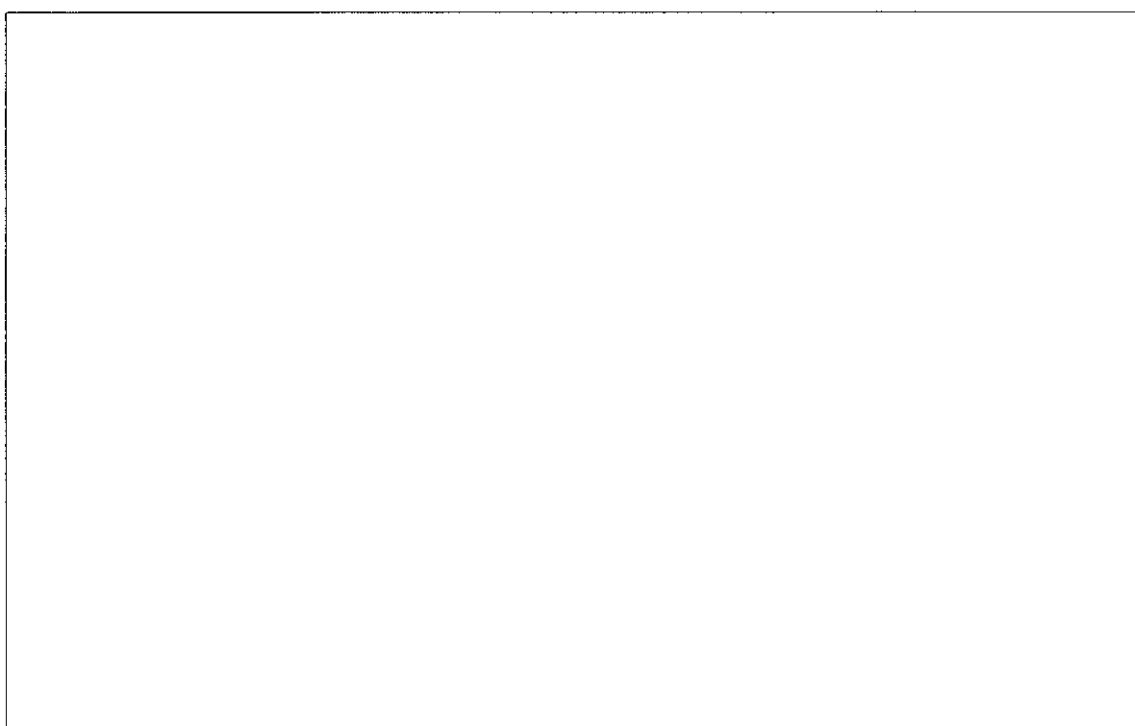
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## Indonesia

### *Location and development area*

The group continues to hold what is effectively a 42 per cent fully diluted equity participation in Makassar Investments Limited, which owns PT REA Kaltim Plantations ("REA Kaltim"). The latter is engaged in the development of an oil palm plantation in East Kalimantan. The project is based on an overall concession area of 125,000 hectares, located some 140 kilometres north west of Samarinda, the capital of East Kalimantan, and lying either side of the Belayan river, a tributary of the Mahakam, one of the major river systems of South East Asia.



Of the total concession area, it is proposed that 50,000 hectares ("the nucleus area") should be developed under the sole ownership of REA Kaltim. It has been agreed in principle that the balance of 75,000 hectares ("the joint venture area") should, subject to financing, be developed under the joint ownership of REA Kaltim and local Indonesian interests. REA Kaltim's level of participation in the joint ventures will be 80 per cent.

Land within the concession area is being released to REA Kaltim by the Indonesian Ministry of Forestry in stages that reflect the pace of REA Kaltim's development. As each land area is handed over, REA Kaltim is able to initiate the titling process. This leads to the eventual issue of a registered land title certificate but only after insertion of boundary markers, as part of a cadastral survey, and completion of other required legal procedures. To date, the Ministry of Forestry has made four land releases totalling some 42,400 hectares and land title certificates have been obtained in respect of just over 30,000 hectares of this area. The processing of the registered land title certificate for the most recent release by the Ministry of Forestry of 12,374 hectares is about to commence.

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## Review of operations *continued*

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The overall areal composition of the REA Kaltim development at 31 December 2000 was as follows

	<i>Ha</i>
Nucleus area	
Mature oil palm	4,745
Immature oil palm	<u>8,632</u>
	13,377
Nurseries	25
Other areas	1,639
Plantable reserve (fully titled)	<u>15,065</u>
	30,106
Plantable reserve (released and awaiting title documents)	12,374
Plantable reserve (to be released)	<u>7,520</u>
	50,000
Joint venture areas	
Plantable reserve (to be released)	<u>75,000</u>
	<u>125,000</u>

### *Production and sales*

The fresh fruit bunch ("FFB") crop for 2000 totalled 55,177 tonnes, compared with 19,750 tonnes in 1999. The crop was some 16 per cent below estimate and reflected delays in the initial FFB production from some of the newly maturing areas thought to be the result of water stress in early development related to the El Nino drought in 1997/98. By the end of the year, substantially all of the areas set back by the 1997/98 drought were producing crop and it is anticipated that the FFB yields in these areas will now follow a normal, albeit delayed, yield growth curve until full production is reached.

Considerable data is available on the FFB yields achieved from modern hybrid material planted on estates with soil and climatic conditions similar to those prevailing on the REA Kaltim estates. Once FFB production commences, yields per hectare climb rapidly during the ensuing four years to a level of around 24 tonnes per hectare. Yields then remain at this level, reducing only gradually in the second half of the palm's 25 year economic life. Whilst the drought induced delay in crops to date has been disappointing, significant growth toward a fully mature output of some 300,000 tonnes per annum can still be confidently expected over the next three to four years.

The oil mill, which started production in the last quarter of 1998, ran satisfactorily throughout the year. Crude palm oil ("CPO") and palm kernel production for 2000 totalled respectively 12,440 tonnes (1999 4,444 tonnes) and 2,364 tonnes (1999 700 tonnes).

The oil and kernel extraction rates of respectively 22.5 per cent and 4.3 per cent are considered to be satisfactory, given the high proportion of crop from newly mature areas. Processing rates in excess of the present rated throughput of 30 tonnes per hour of FFB from the single production line that is currently in place were consistently achieved during operating hours and process losses were minimal. Processing hours on a single shift basis grew steadily during the year in line with the increasing levels of FFB crop. A second production shift will be introduced in the second quarter of 2001.

The mill structure was designed and constructed to accommodate a second production line. Plans have been prepared for this to be installed and become operational at an initial rated throughput of 37.5 tonnes per hour in the course of 2002. Thereafter, it is intended to enhance the capacity of the existing production line from 30 tonnes per hour to 37.5 tonnes

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per hour to achieve a final rated mill throughput of 75 tonnes per hour in total. At this level, the mill should be capable of processing all future FFB production from the existing planted hectareage.

In view of the relatively low production volumes during the year, all product was sold in the local Indonesian market at prices broadly equivalent to those available in the export market. The continuing rapid growth in output is expected to provide volumes sufficient to access export markets towards the end of 2001.

During the year, CIF Rotterdam CPO prices fell progressively from levels of US\$350 per tonne to below US\$250 per tonne, an extremely low price level last seen in 1985/86. This compares with an average price for the last ten years of some US\$475 per tonne. The Indonesian export tax on CPO was reduced during the year to the present level of US\$4.80 per tonne and is expected to be removed completely in coming months. The continuing market weakness reflects the high level of palm oil stocks in Malaysia and Indonesia following strong growth in CPO production in both countries. This, combined with high worldwide stock levels of the other vegetable oils, is continuing to hold vegetable oil prices down at levels which for some are significantly below their cost of production. As a result, plantings of some of the annual oilseed crops, in particular rape and sunflower, are expected to reduce significantly in 2001. With more modest increases in world production of vegetable oils in 2001 and continuing steady growth in demand, it is expected that CPO stocks will start to reduce in the coming months. As a result, CPO prices are expected to recover from their present very low levels.

#### *Operations*

2000 saw good and well distributed rainfall on all estates during the year. The remaining stocks of young palms held in nurseries were planted out during the year, expanding the planted area by some 750 hectares. Further expansion beyond this level within REA Kaltim's now sizeable land bank will be deferred until such time as the financing to sustain such expansion becomes available either from external sources or from the build up of internally generated cash flow that will follow from the progressive maturing of existing immature areas.

During the year, arrangements were put in place for a village co-operative smallholder scheme, totalling 160 hectares. Under this scheme, certain of the young palm stocks on hand were allocated to smallholder farmers living in the villages local to the plantation. Each farmer will cultivate oil palm in his own two hectare plot and REA Kaltim will supply fertiliser inputs and technical advice. In due course, the farmer will sell his FFB production to REA Kaltim for processing and REA Kaltim will, on an agreed basis, recover from the FFB sale proceeds the costs incurred by it in supporting the smallholding. The initial response to the scheme has been very positive and it is anticipated that the smallholder hectareage will be expanded over the next few years.

Emphasis continues to be placed on welfare, estate amenities and remuneration structures in order to promote a productive and stable workforce. With FFB crops growing rapidly, the logistics of day to day harvesting and timely FFB evacuation from field to mill become an increasingly important focus for the plantation management team. On the job training, skills development, motivation and performance evaluation at all levels of management are now critical to the establishment of best practice throughout REA Kaltim's operations. A human resource development function was established during the year to provide increased focus on these aspects of REA Kaltim's operations.

The tank farm adjacent to the port of Samarinda was completed during the year. This comprises a berthing jetty for vessels of up to 6,000 tonnes and onshore facilities for the

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## Review of operations *continued*

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storage and handling of CPO, palm kernels and fertilisers. Installed CPO storage capacity is currently 8,000 tonnes in four 2,000 tonne tanks and this will be expanded by the addition of further tanks as CPO throughput increases. REA Kaltim took delivery during the year of its first river barge with a carrying capacity of 800 tonnes of CPO. Bulk inputs are carried by barge from the tank farm to the estates on the return trip upriver.

Operationally, REA Kaltim has continued to be relatively unaffected by the much publicised difficulties and unrest that affected Indonesia during 2000. The province of East Kalimantan remains stable and prosperous as a result of its large natural resource base, low population and full employment. However, Indonesia has during 2000, its first full year of democracy, been the subject of a great deal of international attention. Whilst the domestic economy is now expanding steadily, issues related to external sovereign and corporate debt, the national budget and internal security continue to cause concern. This has combined with increasing political uncertainty in recent months to provide an environment in which the growth of international investment confidence in Indonesia, apparent in late 1999 and early 2000, seems to have reversed and the Rupiah has weakened significantly against the US dollar.

Rationally, Indonesia's economic policies must include the encouragement of those dollar earning export industries which have natural competitive advantage in the international markets in which they operate. The country has enormous reserves of natural resources in the form of oil, natural gas, coal, minerals and timber. With a plentiful supply of land and labour, agriculture can be a major foreign currency earner. The Indonesian oil palm industry has significant competitive advantages over its Malaysian counterpart and over producers of those vegetable oils derived from the annual oilseed crops. It is to be hoped that the country's new-found democracy can, over time, provide the framework for improving political stability and effective government so as to provide a backdrop against which the oil palm industry can continue to thrive.

### *Financing*

The initial capital for the REA Kaltim development totalled US\$11.4 million. This was augmented in March 1996 by a syndicated loan facility of US\$26.0 million and, later, by additional bank finance of some US\$3.5 million. In satisfaction of a condition of the syndicated loan facility, the equity of REA Kaltim was increased by US\$2.0 million in March 1996 and by a further US\$3.4 million in March 1998.

It had originally been planned that all post March 1998 funding required by REA Kaltim would be met by additional bank finance. With the deteriorating conditions in Indonesia in the first quarter of 1998, it became obvious that such bank finance would not be available. Accordingly, the group and its co-sponsor of the REA Kaltim project, the M E Zukerman group, have since provided, in equal amounts, significant additional financial support to REA Kaltim. Total financial support provided by the group and the M E Zukerman group to 31 December 2000 totalled US\$24.25 million.

With the prospect of steeply rising crops over the next four years, REA Kaltim can reasonably look forward to a rapidly increasing cash flow from its operations. However, the exact point at which REA Kaltim will become cash positive after debt service and capital expenditure remains difficult to predict. The recent dramatic fall in CPO prices has had a serious and immediate adverse effect on revenues during 2000 and, with present prices remaining at very low levels, revenue appears likely to remain depressed, at least for a while.

The negotiations, which were started in December 1998, to reschedule principal repayments under the US\$26 million syndicated loan to REA Kaltim finally made some progress during the year. Seven of the eight syndicate banks signed an agreement to reschedule in December

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2000. The remaining syndicate bank, which is now operating under the auspices of IBRA, the Indonesian Bank Restructuring Agency, has not to date signed the agreement. In view of the short-term impact of low CPO prices on REA Kaltim's revenues, new discussions with the syndicate banks have recently been initiated with a view to a further restructuring of the syndicated loan.

REA Kaltim continues to explore opportunities for raising of further debt finance to augment or replace existing debt. The local banking system within Indonesia remains largely dysfunctional although Indonesian government directed programmes to merge and refinance the state banks have recently provided some limited new lending capacity from this sector. International commercial banks continue to be extremely cautious about extending long term credit to Indonesian borrowers and the immediate prospects of debt finance from this source are not encouraging. Discussions have been ongoing within the development bank sector during 2000 and some important progress has been made. Terms for the provision of long term debt from this sector are presently under active negotiation, although it remains unclear whether an acceptable basis can be agreed.

Having regard to the foregoing, REA Kaltim believes that, with some further support from its ultimate shareholders, it should be able to secure the resources necessary to take to full maturity the 13,400 hectares now planted and to provide the additional capacity required in the oil mill in 2002. The result should be a fully economic project producing good profits. On the same basis, REA Kaltim is also optimistic of its eventual ability to expand its oil palm plantings beyond 13,400 hectares and thereby to maximise the opportunity afforded by its East Kalimantan project.

#### **North America**

The group's North American interests are held by Anglo American Agriculture PLC ("AAA") in which the group holds an economic interest of 17 per cent. Subsidiaries of AAA are engaged in fruit farming and viticulture in California.

The fruit farming interests are represented by the UCC ranch which is situated in the fertile Central Valley of California just east of Fresno and grows citrus. The viticultural interests comprise the San Ysidro and San Felipe vineyards to the south of San Francisco which grow wine grapes of various premium varieties. San Felipe is a new vineyard and, as such, is not yet in production. The overall areas farmed at 31 December 2000 were as follows

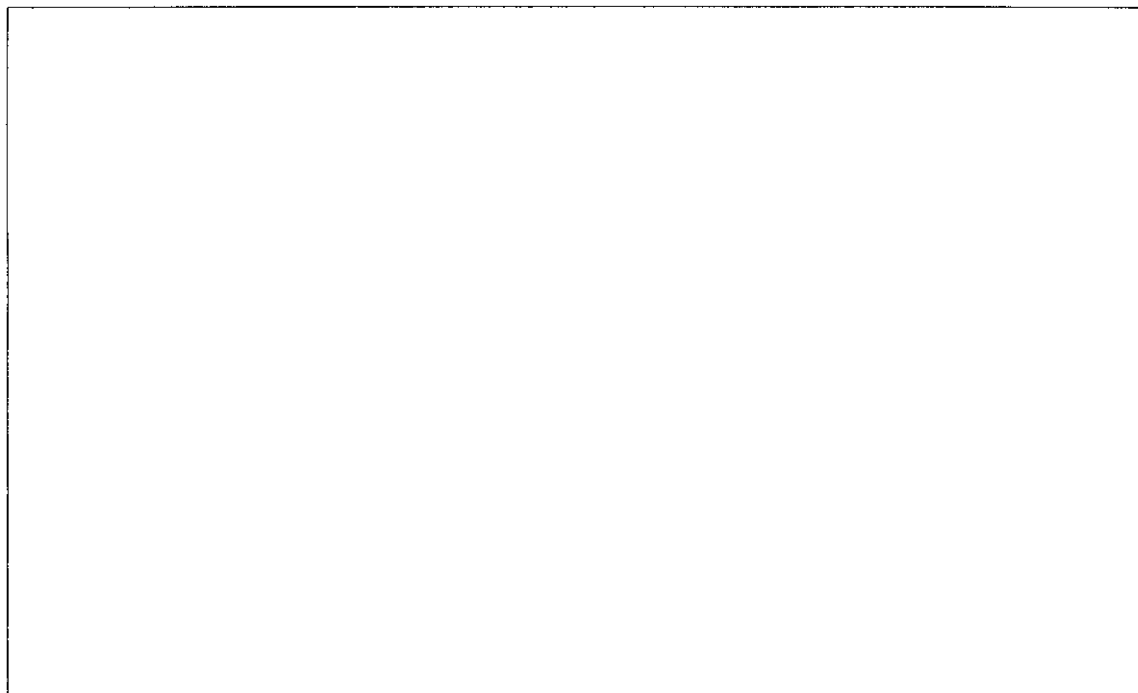
	<i>Ha</i>
Citrus	423
Wine grapes	155
Unplanted	<u>132</u>
	<u>710</u>

AAA's 2000 results were again disappointing reflecting another year of substantial losses from the UCC operations. As a secondary effect of the severe frost suffered in late 1998, the lemon areas yielded almost no crop while an extended cool period in the autumn of 1999 resulted in light crops from the orange areas and poor sizing. The poor crops were accompanied by weak prices and, with a cost base that is largely fixed, negative results from UCC were inevitable.

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## Review of operations *continued*

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The San Ysidro vineyard presented a happier picture. The overall crop amounted to 1,702 tonnes against 1,171 tonnes in the preceding year. While 2000 saw a generally weaker market for Californian wine grapes, San Ysidro was in part protected from the effects of the market downturn by having previously contracted forward sales of a significant proportion of its 2000 crop. Moreover, notwithstanding the more difficult market conditions, by trading on its established reputation as a quality supplier of wine grapes, the vineyard was still able to realise premium prices for the balance of the crop that had to be sold on a spot basis. Harvesting efficiencies achieved by use of the group's recently acquired mechanical grape harvester assisted returns.

Extension planting by AAA in 2000 was concentrated on San Felipe where some 50 hectares, representing considerably more than half of this newly acquired land area, was planted out with vines of the chardonnay, cabernet sauvignon and syrah varieties. Extension planting at UCC of a further 23 hectares with late navels had originally been planned but, in the light of the disappointing 2000 revenues from the UCC operations, was postponed. UCC was however successful during the year in obtaining certification of approximately 10 per cent of its navel areas as organic. This certification is the result of several years of effort to eliminate non-organic farming practices and will now provide UCC with access to the premium market for organic oranges. The terrain at UCC is such that it is unlikely that the entire ranch can be converted to organic methods but it is hoped that it will at least be possible in future years to extend the existing certification to cover a larger area of the ranch.

Initial indications for 2001 are that AAA can expect a better year. The lemon crop at UCC has already been harvested, has been at normal levels and can be expected to realise normal prices. The navel crop, as throughout California, has again been a little lighter than hoped but this has served to tighten a previously oversupplied market. Moreover crop quality has been excellent. This is resulting in better prices which should more than compensate for the lighter

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crop. UCC will also benefit from the premium prices that it is currently realising from its first crop of organic navels and from an expected increase in the late navel crop in line with the increasing maturity of the late navel plantings. With the Californian premium wine grape market now looking a little firmer, there is also every reason to expect another good performance from San Ysidro.

In projecting AAA's results for 2001, it must, however, be remembered that the AAA group will have to bear overheads and debt servicing costs attributable to the new San Felipe vineyard but will again receive little or no revenue from that property. Looking further forward, it can be expected that crops from San Felipe will start to build from 2002 and, from the already planted area, will then grow to an ultimate level not far short of 1,000 tonnes. The additional revenues that can be expected from these crops, coupled with those from further crop increases from the existing late navel areas, offer the prospect that AAA may eventually achieve a return to profits of a level appropriate to the capital employed within the AAA group.

#### **MERCHANTING**

2000 saw the divestment of the business of Wigglesworth & Co Limited ("Wigglesworth") and that of its wholly owned Belgian subsidiary, REA Trading Belgium NV. Based in premises in Southwark Bridge Road, London, the former business was engaged principally in trading in sisal, abaca and flax raw fibres and finished products while the business of the Belgian subsidiary was to serve as the centre for the flax operations (since the European flax trade is largely conducted through Belgium). The Wigglesworth business was also supported by an office in East Africa (the benefit of which has been sold with the business) which oversaw the physical export of a large part of the East African sisal fibre and products sold by the business.

Notwithstanding a weak sisal market in the initial months of 2000, the divested businesses made a useful contribution to group results during the period of the year that they were still part of the group and this was a factor in achieving the satisfactory price realised for the businesses. Unfortunately, discontinuance costs incurred in the wind-out of retained debtors and other assets, following completion of the divestments, meant that, for 2000 as a whole, the contribution of Wigglesworth and its Belgian subsidiary to group results was not significant.

Following the divestments referred to above, the group's remaining merchanting operations comprise the businesses of Aftex Limited (67 per cent owned) and that of its wholly owned subsidiary, Afchem Limited. These businesses act as distributors, or agents for the supply, in East Africa of certain textile machinery and chemicals used in the manufacture of textiles. Afchem Limited showed a small loss for 2000 but Aftex Limited had a particularly good year.

#### **OTHER**

Substantially all group interests that were classified in the group's 1999 accounts under the heading "other" were sold during 2000. Those interests principally comprised a 51 per cent shareholding in a UK wire rope core manufacturing operation. This operation had been slightly loss making for some time and following divestment of the group's sisal merchanting activities, to which the operation was seen as an adjunct, it was not considered that the continued retention of the operation would serve any useful purpose.

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# Directors' report

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The directors present their report concerning the operations of the company and its subsidiary and associated companies for the year ended 31 December 2000.

## Principal activities and business review

The company acts as a holding company. At 31 December 2000 the principal businesses of its subsidiary and associated companies comprised the cultivation of plantation crops. See note 4(c) for list of principal subsidiary and associated companies.

The activities and future development of the group are covered in the accompanying review of operations.

## Leasehold property – 7 Bedford Square, London, WC1B 3RA.

The group has entered into a contract to sell its long leasehold interest in 7 Bedford Square for a gross consideration of £2.2 million, which after expenses will produce net proceeds of £2.15 million. The sale is subject to shareholders' approval at a meeting to be convened for 3 May 2001. The book value of the property at 31 December 2000 was £1.5 million.

## Results

The results are presented in the profit and loss account and segment information is given in the notes to the accounts.

## Payment of suppliers

It is the company's policy to establish appropriate terms and conditions for dealings with suppliers and to comply with such terms and conditions. As a holding company the company does not have trade creditors.

## Dividends

The preference dividends due during the year were paid.

No ordinary dividend was declared for the year ended 31 December 1999.

No dividend is proposed on the ordinary shares for the year ended 31 December 2000.

## Substantial shareholdings

The register maintained by the company pursuant to section 211 of the Companies Act 1985 shows the following interests in the ordinary shares of the company at the date of this report

		Per cent
Emba Holdings Limited	3,910,213	42.6
J R M Keatley	345,041	3.8
J G Bartholomew	284,950	3.2

Emba Holdings Limited is controlled by Mr R M Robinow and members of his family.

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## Directors

The present directors are listed on page 1. All served throughout the year under review.

The directors retiring by rotation are Mr L E C Letts and Mr N E Newby who, being eligible, offer themselves for re-election.

## Directors' interests

The interests of directors, together with those of members of their immediate families, at 31 December 2000 and at 1 January 2000 in the underlisted securities of the company, all of which were beneficial interests, were as follows

	9 per cent cumulative preference shares	Ordinary shares	Warrants	12 per cent unsecured loan stock 2000
31 December 2000				
R M Robinow	61,203	45,083	129,747	-
N E Newby	1,891	38,558	-	-
J M Green-Armytage	2,455	29,679	21,000	-
J R M Keatley	1,701	345,041	-	-
L E C Letts	4,099	46,703	-	-
J C Oakley	384	37,965	-	-
1 January 2000				
R M Robinow	61,203	45,083	129,648	-
N E Newby	1,891	23,464	-	-
J M Green-Armytage	2,455	29,679	21,000	-
J R M Keatley	1,701	74,391	-	£27,000
L E C Letts	4,099	46,703	-	-
J C Oakley	384	22,871	-	-

There were no changes in the interests of the present directors in the securities of the company between 31 December 2000 and the date of this report.

No director was interested during the year in any contract with the group otherwise than as indicated in the notes to the accounts.

## Directors' remuneration

Information regarding directors' remuneration and benefits is provided in the accompanying separate statement on corporate governance and remuneration committee's report and in the notes to the accounts. The information so provided follows the provisions of schedule B to the Combined Code (as defined in the accompanying separate statement on corporate governance).

## Going concern

The directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the accounts.

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## Directors' report *continued*

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### Changes in issued share capital

On 11 August 2000, 28 ordinary shares of £1 each were allotted, fully paid in satisfaction of warrant rights exercised by warrant holders to subscribe those shares in cash. Of every 100 ordinary shares to be issued as a result of such exercise, 58 of every 100 ordinary shares to which the holder of the warrants was entitled were issued fully paid up out of the aggregate warrant price for those shares (£73.50) and the balance of 42 of every 100 ordinary shares to which the holder of the warrants was entitled were issued, credited as fully paid up at par, by way of capitalisation of part of the amount standing to the credit of the share premium account of the company. This resulted in the cash proceeds of the subscription being applied in payment of 16 ordinary shares at a price of £1.26 each and 12 shares issued by way of capitalisation of share premium account.

### Power to issue share capital

At the last annual general meeting held on 7 June 2000, shareholders authorised the board under the provisions of section 80 of the Companies Act 1985 to allot relevant securities within specified limits. A replacement of this authority is being sought at the forthcoming extraordinary general meeting convened for 3 May 2001. Details of such authority and of a fresh authority under the provisions of section 95 of the Companies Act 1985 are set out in the Notice of Meeting printed in the circular of the company dated 10 April 2001 which accompanies these accounts. Accordingly no further authorities will be sought at the annual general meeting to be held on 3 May 2001.

### Power to purchase own warrants

At an annual general meeting held on 7 June 2000 shareholders authorised the company to purchase up to 242,500 warrants of the company, such authority to expire at the next annual general meeting of the company. A replacement of this authority is being sought at the forthcoming annual general meeting. The directors intend to exercise the proposed authority, if granted, only to the extent of the normal availability of the warrants through the London Stock Exchange and within the constraints of the company's internal cash flow. The maximum number of warrants that the company will be authorised to purchase under the authority will be 242,500 warrants representing 14.9 per cent of the warrants in issue at the date of this report. The authority will terminate on the date of the annual general meeting to be held in 2002.

7 Bedford Square  
London WC1B 3RA  
10 April 2001

  
By order of the board  
R.E.A. SERVICES LIMITED  
Secretaries

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# Corporate governance

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A code ("the Combined Code") setting out principles of good governance and a code of best practice, as prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel, was published in June 1998. The Combined Code divides the principles of good governance into two sections. The principles applicable to companies are contained in section 1.

## APPLICATION

The company has applied the Principles of Good Governance set out in section 1 of the Combined Code as follows

### Directors

The composition of the board of the company is set out on page 1 and comprises a balance of executive and non-executive directors (including independent non-executive directors). The offices of chairman and managing director are held by different individuals. All directors are equally accountable for the proper stewardship of the company's affairs. Directors have free access to the advice and services of the company secretary and, individually or collectively, may take independent professional advice at the expense of the company when circumstances so require.

Regular board meetings are held four times a year. Other board meetings are held as necessary to consider corporate and operational matters. Operating reports and management accounts of group companies are circulated to the board on a monthly basis. These are augmented by annual budgets and positional papers on matters of a non routine nature. The board has a schedule of matters that are reserved for decision by it. Such matters include the appointment and removal of the company secretary.

Appointments to the board are considered by a nomination committee which is formally constituted with written terms of reference. Recommendations from the committee are submitted for approval to the full board. The present composition of the nomination committee is shown on page 1.

One third of the directors retire by rotation each year and may submit themselves for re-election. This has the effect that each director is subject to re-election once every three years.

In view of the specialised nature of the group's operations and the relevant experience of the directors it is not considered necessary for training to be provided to the directors.

### Directors' remuneration

The specific remuneration and benefits of each of the executive directors is determined by a remuneration committee within a framework of executive remuneration set by the full board on the basis of recommendations from that committee. The remuneration committee is formally constituted with written terms of reference. The fees, other remuneration and benefits of non-executive directors are fixed by the board as a whole.

The composition of, and the policies applied and procedures followed by, the remuneration committee are set out in the accompanying separate report of that committee.

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## Corporate governance *continued*

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### Relations with shareholders

The company seeks to provide, through its annual report and accounts, interim report and such other circular letters to shareholders as circumstances may require, balanced information on the operational activities and financial affairs of the group. Beyond such written communications, the directors regard the company's annual general meeting as the principal opportunity for communication between the company and its private shareholders. In addition to answering questions from shareholders within the formal context of the meeting, directors are available to talk on an informal basis to shareholders after the meeting has been concluded. At least twenty working days' notice of the annual general meeting is given to shareholders.

Within the limits imposed by considerations of confidentiality, the company endeavours to maintain constructive relations with its institutional shareholders based on periodic meetings and a mutual understanding of objectives.

### Audit and internal control

The accompanying chairman's statement and review of operations, when read in conjunction with the accounts and directors' report, are designed to present a balanced and understandable assessment of the group's position and prospects. The directors' responsibilities for the preparation of the accounts are detailed in the accompanying separate statement on that subject.

The Combined Code introduced a requirement that directors should, at least annually, conduct a review of the effectiveness of the group's system of internal control including financial, operational, compliance and risk management, and should report to shareholders that they have done so. In September 1999 guidance to this requirement was provided to directors by the publication of *Internal Control: Guidance for Directors on the Combined Code* ("The Turnbull Report").

In the 1999 report it was stated that the directors had adopted the transitional approach as set out in the letter from the London Stock Exchange and that procedures necessary to fully implement the guidance under the Turnbull Report were put in place prior to 31 December 1999. The directors conducted a full review of the group's system of internal control in January 2000 and will conduct such a review at least annually in future. Having undertaken this review the board are satisfied that systems are in place to safeguard the assets and business of the group on the basis outlined in this report.

The directors acknowledge their responsibility for ensuring that the company has a sound system of internal control including financial, operational, compliance and risk management in place to safeguard shareholders' investment and the company's assets and for reviewing its effectiveness. The purpose of such system is to manage and control risk rather than to eliminate it and can provide only reasonable and not absolute assurance against material mis-statement or loss.

The group has an established system of management hierarchy at all working locations throughout the group. This system has been designed to delegate the day to day responsibility for specific departmental functions within each working location, including financial, operational and compliance controls and risk management, to a number of senior managers, reporting to a director with overall responsibility for that particular working location.

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Each working location reports to the board on a regular basis by way of the circulation of progress reports, monthly management reports and management accounts. Local management are required to seek authority from the board in respect of any transaction which is above the limits set within the agreed annual operating plan for that working location, which is other than in the normal course of business, or in respect of any matter that is likely to have a material impact on the operations of the relevant working location.

Designated directors of the company undertake at least two supervisory visits to each of the principal overseas operations each year. Reports of such visits are circulated to the board and reviewed by the full board at the regular board meetings.

Key risks to the success of the group's operations have been identified and, to the extent possible, systems put in place to minimise the impact of such risks. Key risks, together with all the group's procedures of internal control, including internal financial control, are reviewed by the directors on a regular basis and are adapted and improved as necessary.

The company has a formally constituted audit committee with written terms of reference. The members of the audit committee are shown on page 1. The duties of the audit committee include responsibility for reviewing the group's financial and other reporting procedures, the scope and results of the audit of the group's accounts and the objectivity of, and level of fees charged by, the auditors.

## **COMPLIANCE**

With one limited exception the company complied throughout the year with the provisions of the Code of Best Practice as set out in section 1 of the Combined Code. The one exception was as regards the composition of the remuneration committee which, rather than comprising three independent non-executive directors, comprised two such directors and Mr R M Robinow, who, although non-executive, by virtue of his involvement in the day to day management of the group, and his position as chairman may not be regarded as an independent non-executive director. In view of the significant interest held by Mr Robinow and his family in the ordinary shares of the company, the directors consider that the remuneration committee operates effectively as currently constituted.

In the exceptional circumstances of an extraordinary general meeting being held on 3 May 2001 and for the convenience of shareholders the annual general meeting for 2001 will be held on the same day notwithstanding that less than 20 working days notice will be given of such annual general meeting.

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# Remuneration committee's report

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The committee presents its report to shareholders concerning the remuneration of directors. The members of the committee are Mr J R M Keatley (chairman), Mr L E C Letts and Mr R M Robinow.

## Compliance

In framing its policy on performance related remuneration the committee followed the provisions of schedule A to the Combined Code (as defined in the accompanying separate statement on corporate governance).

## Policy

The committee sets the remuneration and benefits of the executive directors of the company. In so doing, it considers the achievement of each individual in attaining the objectives set for that individual and draws on data of the remuneration of others performing similar functions in similarly sized organisations. The key objective of the remuneration policy is to attract, retain, motivate and fairly reward executive directors of a high calibre, while ensuring that the remuneration of each individual executive director is consistent with the best interests of the company and its shareholders.

The committee considers all proposals for executive directors to hold outside directorships. Such directorships are normally permitted only if considered to be of value to the group and on terms that any remuneration payable will be accounted for to the group.

## Basis of remuneration

The basic remuneration of all executive directors comprises a pensionable salary and benefits. In addition, directors may be paid bonuses. These are awarded annually in arrears on a discretionary basis taking into account the performance of the group during the relevant year and the contribution to that performance that each director is assessed by the committee as having made. Bonuses do not normally exceed 40 per cent of salary and are paid in cash and by appropriation of ordinary shares of the company purchased pursuant to the REA Services Profit Sharing Scheme. There is no separate pension scheme for executive directors but those directors are members of the group pension scheme. Only basic salaries are pensionable. There are no share options.

No director, and, in particular, no director offering himself for re-election at the forthcoming annual general meeting has a contract of service with any member of the group having a notice period of more than one year or with provisions for payment of compensation on termination of in excess of one year's basic salary and benefits.

## Details of remuneration

Details of the remuneration payable to each director in respect of the year under review are set out in the notes to the accounts.

10 April 2001

*Signed on behalf of the remuneration committee*  
J R M KEATLEY  
*Remuneration Committee Chairman*

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## Directors' responsibilities

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The following paragraphs, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out in their report, are intended to distinguish for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the group profit or loss for the financial year.

The directors are required in preparing the accounts to ensure that the group has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, that all applicable accounting standards have been followed, subject to any material departures in the accounts.

The directors have responsibility for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have responsibility for safeguarding the assets of the company and the group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

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# Auditors' report

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## To the shareholders of R.E.A. Holdings plc

We have audited the accounts set out on pages 26 to 44 together with the disclosures relating to the group's Indonesian investment on pages 8 to 13 (which together form the "accounts" of the group) which have been prepared under the historical cost convention as modified by the revaluation of certain fixed and current assets, and the accounting policies set out on page 31.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the Annual Report including, as described on page 23, the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and the group is not disclosed.

We review whether the corporate governance statement on pages 19 to 21 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by The Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the accounts.

### *Basis of audit opinion*

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### *Fundamental uncertainty*

The group's operations in Indonesia continue to be exposed to adverse economic, political and social conditions. In forming our opinion we have considered the adequacy of disclosures made in the accounts concerning the economic, political and social situation in Indonesia and its effect on the group.

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Although exchange rates and other economic indicators during the year, it is not possible to determine the effect that social unrest, political change or further deterioration in economic conditions may have on the future values of assets, earnings, profitability or cash flows of the group. The accounts include the effects of these factors so far as they can currently be determined and estimated.

The accounts have been prepared on a going concern basis. There remains a fundamental uncertainty as to the effect on the group's operations of the economic, political and social conditions in Indonesia.

Our opinion is not qualified in this respect.

*Opinion*

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 2000 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen*

1 Surrey Street, London WC2R 2PS  
10 April 2001

ARTHUR ANDERSEN  
*Chartered Accountants and Registered Auditors*

## Consolidated balance sheet

### 31 December 2000

	Notes	2000 £000	1999 £000
<b>Fixed assets</b>			
Tangible fixed assets	3	1,625	1,896
Fixed asset investments	4	7,394	11,242
		<u>9,019</u>	<u>13,138</u>
<b>Current assets</b>			
Stocks	5	35	898
Debtors	6	8,677	13,906
Cash		4,109	2,565
		<u>12,821</u>	<u>17,369</u>
<b>Creditors up to one year</b>	7	<u>(5,201)</u>	<u>(11,448)</u>
<b>Net current assets</b>		<u>7,620</u>	<u>5,921</u>
<b>Total assets less current liabilities</b>		<u>16,639</u>	<u>19,059</u>
<b>Creditors over one year</b>	8	<u>(1,100)</u>	<u>(664)</u>
<b>Net assets</b>		<u>15,539</u>	<u>18,395</u>
<b>Capital and reserves</b>			
Called up share capital	9	14,890	14,890
Share premium account	9	720	720
Capital redemption reserve	9	3,240	3,240
Warrants	9	1,219	1,219
Revaluation reserve	9	(772)	1,860
Profit and loss account	9	(3,778)	(3,534)
<b>Shareholders' funds*</b>	9	<u>15,519</u>	<u>18,395</u>
Minority interests		20	-
<b>Total capital employed</b>		<u>15,539</u>	<u>18,395</u>

\* Shareholders' funds comprise equity interest of £9,814,000 (1999 £12,690,000) and non-equity interest of £5,705,000 (1999 £5,705,000).

The accompanying notes are an integral part of this consolidated balance sheet.

## Consolidated profit and loss account for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
<b>Turnover</b>			
Continuing		894	23,899
Discontinued		13,054	-
		<u>13,948</u>	<u>23,899</u>
Cost of sales		(11,485)	(20,781)
<b>Gross profit</b>		<u>2,463</u>	<u>3,118</u>
Other income and expenses	11	(1,278)	(2,077)
<b>Group operating profit*</b>		<u>1,185</u>	<u>1,041</u>
Share of operating profit of associates			
- continuing		124	1,886
- discontinued		(22)	-
Disposal of assets and investments – discontinued	12	524	265
Interest			
- associates		(547)	(1,724)
- group	12	(640)	(856)
<b>Profit on ordinary activities before taxation</b>	12	<u>624</u>	<u>612</u>
Tax on profit on ordinary activities	15	15	(214)
<b>Profit on ordinary activities after taxation</b>		<u>639</u>	<u>398</u>
Minority interests	12	(21)	(161)
<b>Profit for the financial year</b>		<u>618</u>	<u>237</u>
Dividends, including non-equity dividends	16	(513)	(513)
<b>Retained loss for the year</b>	9	<u>105</u>	<u>(276)</u>
Earnings/(loss) per ordinary share	12		
- basic		1.1p	(3.0)p
- fully diluted		1.1p	(3.0)p

\* Group operating profit comprises £911,000 for continuing operations and £274,000 for discontinued (1999 £1,041,000 and £nil) respectively.

A statement of movement in reserves is given in the accompanying notes which are an integral part of this consolidated profit and loss account.

## Total consolidated recognised gains and losses and note of historical cost profits and losses for the year ended 31 December 2000

### Recognised gains and losses

	2000 £000	1999 £000
Profit for the financial year	618	237
Goodwill previously written off on disposals	250	-
Currency translation and revaluation adjustments	(3,231)	46
	(2,363)	283

### Note of historical cost profits and losses

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	624	612
Realisation of revaluation losses of previous years	(388)	(950)
Historical cost profit/(loss) on ordinary activities before taxation	236	(338)
Tax on profit/(loss) on ordinary activities	15	(214)
Historical cost profit/(loss) on ordinary activities after taxation	251	(552)
Minority interests	(21)	(161)
Historical cost (loss)/profit for the financial year	230	(713)
Dividends, including non-equity dividends	(513)	(513)
Retained historical cost loss for the year	(283)	(1,226)

The accompanying notes are an integral part of these statements.

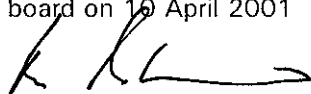
# Company balance sheet

## 31 December 2000

	Notes	2000 £000	1999 £000
<b>Fixed assets</b>			
Fixed asset investments	4	5,858	5,485
<b>Current assets</b>			
Debtors	6	9,029	12,615
Cash		4,041	2,441
		<u>13,070</u>	<u>15,056</u>
<b>Creditors up to one year</b>	7	(3,409)	(2,146)
<b>Net current assets</b>		<u>9,661</u>	<u>12,910</u>
<b>Net assets</b>		<u>15,519</u>	<u>18,395</u>
<b>Capital and reserves</b>			
Called up share capital	9	14,890	14,890
Share premium account	9	720	720
Capital redemption reserve	9	3,240	3,240
Warrants	9	1,219	1,219
Revaluation reserve	9	(6,155)	(2,972)
Profit and loss account	9	1,605	1,298
<b>Shareholders' funds*</b>	9	<u>15,519</u>	<u>18,395</u>

Approved by the board on 10 April 2001

R M ROBINOW  
Director



\* Shareholders' funds comprises equity interest of £9,814,000 (1999 £12,690,000) and non-equity interest of £5,705,000 (1999 £5,705,000).

The accompanying notes are an integral part of this balance sheet.

# Consolidated cash flows for the year ended 31 December 2000

	2000 £000	1999 £000
<b>Net cash inflow from operating activities</b>	5,007	6,169
<b>Dividends from associates</b>	-	235
<b>Returns on investments and servicing of finance</b>		
Interest received	1,541	568
Interest paid	(640)	(856)
Investment income	14	2
Dividends paid to minority shareholders	(40)	-
Dividends paid to preference shareholders	(513)	(559)
	362	(845)
<b>Taxation</b>	2	(183)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(29)	(21)
Sale of tangible fixed assets	-	1,337
Sale of investments	1,008	108
Purchase of investments	-	(70)
	979	1,354
<b>Acquisitions and disposals</b>		
Purchase of shares in associated companies	(313)	-
Sale of subsidiaries	200	-
Goodwill on sale of a business	300	-
Adjustment of selling price of interests in Willington	(53)	-
	134	-
<b>Equity dividends paid</b>	(368)	-
<b>Cash inflow before management of liquid resources and financing</b>	<u>6,116</u>	<u>6,730</u>
<b>Management of liquid resources</b>	(1,641)	(2,050)
<b>Financing</b>		
Net (repayment) of debt up to one year	(4,972)	(118)
Net issue of debt over one year	575	315
Finance lease repayments	(129)	(118)
Share issue and expenses	-	1
	(4,526)	80
<b>(Decrease)/Increase in cash</b>	<u>(51)</u>	<u>4,760</u>

The accompanying notes are an integral part of this consolidated cash flow statement. Refer to note 17.

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# Accounting policies

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## **Basis of accounting**

The accompanying accounts have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and in accordance with applicable accounting standards except for valuation of stock as stated below.

## **Basis of consolidation**

The group accounts consolidate those of the company and its subsidiary companies, made up to the year end. On the acquisition of subsidiaries and associated companies the difference between cost and the fair value of the underlying net assets was charged to reserves. Unless otherwise stated the acquisition method of accounting has been adopted. Results of subsidiaries acquired or disposed of are consolidated from the date of acquisition or up to the date of disposal.

## **Tangible fixed assets**

Leasehold property is shown at a directors' valuation which is based on periodic external valuation. Plant and machinery are included at cost net of any provision for impairment.

Depreciation has been provided by equal annual instalments at rates which the directors consider will reduce the assets to their disposal values at the end of their useful lives. The rates used are: property over the period of the lease; plant and machinery 5 per cent to 20 per cent.

## **Investments**

Associated companies are entities in which a consolidated member of the group has a participating interest and over which the group exercises significant influence. The group's investments in associated companies are stated at its share of year end net asset values adjusted for a directors' valuation of estates which is based on periodic external valuation. The difference between acquisition cost and the share of underlying net tangible assets is reflected in the profit and loss account and revaluation reserve as appropriate. The consolidated profit and loss account includes the group's share of associated companies' profits less losses.

The company's investments in its subsidiary and associated companies are stated at its share of year end net asset values, with changes in values being taken to revaluation reserve. Only dividends received or receivable are credited to the company's profit and loss account.

Other fixed asset investments are stated at cost less any provision for any impairment.

## **Stock**

For merchanting operations, certain stock and unmatured commodity contracts have in the past been stated at market value. The directors consider this departure from accounting standards to be necessary to reflect industry valuation practice. The effect of this departure is shown in note 5. All remaining stock is stated at the lower of cost and net realisable value.

## **Foreign exchange**

For consolidation purposes, the results of foreign group companies are translated using the average exchange rate for the period and the balance sheets are translated using the closing exchange rate at the relevant date. Differences arising on translation of opening net assets and foreign currency loans, to the extent that they relate to investment in overseas operations, are taken to reserves and are also shown in the statement of recognised gains and losses.

## **Turnover**

Turnover is the total amount receivable by the group in the ordinary course of business for goods supplied and services rendered to third parties.

## **Finance leases**

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

## **Taxation**

Current tax including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rate of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. No deferred tax has been provided in respect of the revaluation of the estates or property as there is no intention to dispose of them in the foreseeable future. Deferred tax not provided for is shown in the notes to the accounts.

## **Pension costs**

The amount charged to profit and loss account is the estimated regular cost of providing for the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to profit and loss account evenly over the estimated average remaining working life of scheme members.

## **Warrants**

Warrants are stated at the amount of net proceeds after deduction of issue costs. The carrying amount is reduced upon conversion to ordinary shares but no gain or loss is recognised on conversion.

# Notes to accounts

## 1 Corporate transactions

In May 2000 the business of Wigglesworth & Co Limited was sold together with that of its Belgian subsidiary for a cash consideration of £405,000 of which £250,000 was for goodwill released in the consolidated reserves. The group results include the results of these businesses up to the dates of sale which were effectively 31 May and 30 November respectively. On 31 December 2000, the group's 51 per cent shareholding in Star Fibres Limited was sold for a cash consideration of £111,000 and the results of that company have been included until the date of sale. In addition, the shareholding in Wigglesworth Exporters Limited was sold for nominal consideration effective from 31 December 2000 and the results of that company were also included to that date. No goodwill arose for the sales of Star Fibres Limited and Wigglesworth Exporters Limited.

## 2 Segment information

In the tables below the group's net assets, turnover and profit before taxation (excluding result of sales of assets) are analysed by geographical area and by business class. The element of continuing turnover and profit before taxation (excluding result of sales of assets) included in total, is separately identified.

Net assets, in the case of the geographical analysis, are allocated to the area where the main operation of a particular activity is carried out and where the majority of that activity's assets are situated. Unallocated items include general group financing and head office costs; financing which is directly attributable to a particular activity has been allocated to that activity.

<i>(a) Net assets</i>	2000		1999	
	Associates	Total	Associates	Total
Net assets – by geographical area	£m	£m	£m	£m
United Kingdom	-	8.0	-	6.6
Continental Europe	-	0.3	-	0.4
Bangladesh	1.1	1.1	1.1	1.1
Indonesia	3.7	3.7	7.1	7.1
America	0.3	0.3	0.4	0.4
Africa	2.1	2.1	2.0	2.8
	<u>7.2</u>	<u>15.5</u>	<u>10.6</u>	<u>18.4</u>
Net assets – by business class				
Merchanting	-	0.3	-	1.8
Agriculture	7.2	7.2	10.6	10.6
Other activities	-	-	-	0.4
Unallocated	-	8.0	-	5.6
	<u>7.2</u>	<u>15.5</u>	<u>10.6</u>	<u>18.4</u>

<i>(b) Turnover</i>	2000 Total £m	2000 of which continuing £m	1999 Total £m
Turnover – by geographical area			
United Kingdom	2.7	0.3	3.3
Continental Europe	5.4	-	12.0
Asia	2.5	0.2	4.2
America	2.0	0.1	2.6
Africa	1.2	0.3	1.3
Australasia	0.1	-	0.5
	13.9	0.9	23.9
Turnover – by geographical area, by origin of transaction			
United Kingdom	11.1	0.8	22.0
Continental Europe	2.5	-	1.6
Africa	0.3	0.1	0.3
	13.9	0.9	23.9
Turnover – by business class			
Merchanting	12.1	0.2	22.2
Other activities	1.8	0.7	1.7
	13.9	0.9	23.9

*(c) Profit before taxation after interest payable,  
excluding sales of assets*

	2000 Associates £000	2000 Total £000	2000 of which continuing £000	1999 Associates £000	1999 Total £000
Profit - by geographical area, by origin of transaction					
United Kingdom	-	493	654	-	183
Continental Europe	-	116	-	-	48
Bangladesh	(1)	(1)	(1)	(58)	(58)
Indonesia	(129)	(129)	(129)	157	157
America	(122)	(122)	(92)	87	87
Africa	(193)	(257)	(199)	(24)	(70)
	(445)	100	233	162	347
Profit - by business class					
Merchanting	-	29	65	-	369
Agriculture	(445)	(445)	(415)	162	162
Other activities	-	(67)	-	-	(11)
Unallocated	-	583	583	-	(173)
	(445)	100	233	162	347

## Notes to accounts *continued*

### 3 Tangible fixed assets

The movement in the year was as follows

	Leasehold property £000	Plant and machinery £000	Total £000
Cost or valuation			
Beginning of year	1,500	953	2,453
Revaluation and foreign exchange	-	(4)	(4)
Additions	-	71	71
Subsidiaries sold	-	(756)	(756)
Disposals	-	(31)	(31)
	<u>1,500</u>	<u>233</u>	<u>1,733</u>
Depreciation			
Beginning of year	-	557	557
Revaluation and foreign exchange	(50)	(4)	(54)
Charge	50	96	146
Subsidiaries sold	-	(510)	(510)
Disposals	-	(31)	(31)
End of year	<u>-</u>	<u>108</u>	<u>108</u>
Net book value			
End of year	<u>1,500</u>	<u>125</u>	<u>1,625</u>
Beginning of year	<u>1,500</u>	<u>396</u>	<u>1,896</u>

At the year end the net book value of finance leases in plant and machinery included above was £44,000 (1999 £158,000).

Leasehold property was valued at the year end by the directors on an existing use basis. The last independent external valuation was performed as at 31 December 1997, on an existing use basis. Plant and machinery is shown at cost.

Original cost, and depreciation based on cost, of tangible fixed assets are

	Leasehold property £000	Plant and machinery £000	Total £000
Original cost	1,850	233	2,083
Cumulative depreciation based on cost	200	108	308
	<u>1,850</u>	<u>233</u>	<u>2,083</u>
	<u>200</u>	<u>108</u>	<u>308</u>

#### 4 Fixed asset investments

<i>(a) Consolidated balance sheet</i>	Original cost £000	2000 £000	1999 £000
Associated companies	8,318	7,212	10,595
Other investments	182	182	647
	<u>8,500</u>	<u>7,394</u>	<u>11,242</u>

The movement during the year was	£000
Beginning of year	11,242
Additions - associates	313
Disposals	(465)
Share of results of associated companies	(411)
Exchange	(527)
Revaluation	(2,758)
End of year	<u>7,394</u>

Other investments include £182,000 (1999 £182,000) of listed investments with a market value of £80,000 (1999 £116,000).

<i>(b) Company balance sheet</i>	Original cost £000	2000 £000	1999 £000
Shares in subsidiaries	10,284	4,816	801
Associated companies	1,740	1,042	4,612
Other investments	-	-	72
	<u>12,024</u>	<u>5,858</u>	<u>5,485</u>

The movement during the year was	£000
Beginning of year	5,485
Additions - subsidiaries £5,640,000; associates £1,740,000	7,380
Disposals - associates £3,752,000	(3,824)
Revaluation of investments in subsidiaries	(1,625)
Revaluation of investments in associates	(1,558)
End of year	<u>5,858</u>

#### *(c) Subsidiary and associated companies*

The principal subsidiary and associated companies at the year end are listed below. Details of companies which are not significant are not shown to avoid a statement of excessive length. All shareholdings are in ordinary shares and percentages represent the proportion of the group's interest in the nominal value and in the voting rights. Except where indicated all are wholly owned and are incorporated in the United Kingdom; those incorporated in the United Kingdom are registered in England and Wales.

##### Subsidiaries

R.E.A. Services Limited  
R.E.A. Trading Limited  
Old Wigco Limited

Services  
Investment  
Investment

##### Associated companies

Anglo American Agriculture PLC (equity 17 per cent; voting 34 per cent)  
Deundi Tea Company Limited (50 per cent)  
Makassar Investments Limited (42 per cent) (Jersey)  
REA Vipingo Plantations Limited (46 per cent) (Kenya)

Plantation agriculture  
Plantation agriculture  
Plantation agriculture  
Plantation agriculture

## Notes to accounts *continued*

All operate in their country of incorporation, except that Deundi Tea Company Limited operates in Bangladesh and Anglo American Agriculture PLC and Makassar Investments Limited, through their own subsidiaries, operate in the United States and Indonesia respectively. REA Vipingo Plantations Limited makes up its accounts to 30 September.

The group's investments in associated companies are stated at its share of year end net asset values adjusted for the revaluation of the estates. The estates were revalued at the year end by the directors by reference to independent external valuations performed as at 31 October 1997. In the case of estates in Indonesia, their revaluation takes account of the financial and other uncertainties in Indonesia, and the long term nature of the investment there, as described in the review of operations on pages 8 to 13.

The group's share of certain items derived from the accounts of the principal associates is set out below.

	Anglo American Agriculture PLC £000	Deundi Tea Company Limited £000	Makassar Investments Limited £000	REA Vipingo Plantations Limited £000
2000				
Fixed assets	1,936	2,345	21,705	2,472
Current assets	283	515	626	1,204
Creditors up to one year	(275)	(1,269)	(6,481)	(968)
Creditors over one year	(1,597)	(560)	(9,878)	(622)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Turnover	426	895	641	1,849
Profit before taxation	(92)	(1)	(129)	(193)
Taxation	(7)	(8)	-	38
Profit after taxation	99	(9)	(129)	(155)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
1999				
Fixed assets	1,563	2,248	20,087	2,402
Current assets	385	731	607	1,140
Creditors up to one year	(150)	(1,344)	(2,949)	(1,531)
Creditors over one year	(1,409)	(555)	(8,904)	(34)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Turnover	533	758	307	1,684
Profit/(loss) before taxation	108	(58)	157	(24)
Taxation	-	-	-	1
Profit/(loss) after taxation	108	(58)	157	(23)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 5 Stocks

The stock is all merchanting stock and is stated at market value which is £nil (1999 £11,000) higher than cost.

## 6 Debtors

<i>(a) Consolidated balance sheet</i>	2000	1999
	£000	£000
Due within one year		
Trade debtors	513	6,356
Associated companies including loans £4,799,000 (1999 £2,538,000)	4,799	3,747
Other debtors	3,365	3,111
Prepayments and accrued income	-	692
	<u>8,677</u>	<u>13,906</u>

Debtors include Enil (1999 £562,000) relating to accrued income on unmatured Commodity Contracts.

<i>(b) Company balance sheet</i>	2000	1999
	£000	£000
Due within one year		
Group companies	2,129	8,104
Associated companies including loans £4,343,000 (1999 £2,539,000)	4,343	2,539
Other debtors	2,557	1,972
	<u>9,029</u>	<u>12,615</u>

## 7 Creditors up to one year

<i>(a) Consolidated balance sheet</i>	2000	1999
	£000	£000
Current portion of debenture loans	(75)	(1,416)
Bank loans and overdrafts – merchanting	(19)	(6,084)
Bank loans and overdrafts – other	-	(237)
Loan from related party	(2,630)	-
Lease obligations	(38)	(101)
Trade creditors	(43)	(1,561)
Associated companies	(10)	(299)
Taxation and social security	(43)	(47)
Other creditors	(2,219)	(1,566)
Accruals	(124)	(137)
	<u>(5,201)</u>	<u>(11,448)</u>

<i>(b) Company balance sheet</i>	2000	1999
Current portion of debenture loans	-	(1,341)
Group companies	(701)	(1)
Taxation and social security	(10)	-
Loan from related party	(2,630)	-
Other creditors	(68)	(804)
	<u>(3,409)</u>	<u>(2,146)</u>

Charges have been granted on certain assets in the United Kingdom to secure bank loans and overdrafts of Enil (1999 £237,000). Other creditors include dividends of Enil (1999 £368,000).

## Notes to accounts *continued*

### 8 Creditors over one year

#### (a) Consolidated balance sheet

	2000 £000	1999 £000
Debenture loans	(1,100)	(600)
Lease obligations	-	(64)
	<u>(1,100)</u>	<u>(664)</u>

The debenture loan carries interest at 8 per cent per annum and is secured.

#### Debenture loans and lease obligations repayable

between one and two years	(75)	(120)
between two and five years	(800)	(244)
over five years	(225)	(300)
	<u>(1,100)</u>	<u>(664)</u>

### 9 Capital and reserves

#### (a) Share capital

	2000 £000	1999 £000
Authorised		
9 per cent cumulative preference shares of £1 each	6,750	6,750
Ordinary shares of £1 each	12,250	12,250
	<u>19,000</u>	<u>19,000</u>
Called-up		
9 per cent cumulative preference shares of £1 each	5,705	5,705
Ordinary shares of £1 each	9,185	9,185
	<u>14,890</u>	<u>14,890</u>

On 31 July 2000 rights were exercised in respect of 28 Warrants resulting in 28 new ordinary shares of £1 each being issued.

At the year end there were 1,624,473 (1999 1,624,501) warrants, having an issue premium of £1,219,000 (1999 £1,219,000). Each warrant entitles the holder in each year until 2010, in effect, to acquire one new ordinary share at a price of 73.5p, or by surrendering 0.735 preference shares.

Non equity shareholders' funds relate to 9 per cent cumulative preference shares with no voting rights.

	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
<i>(b) Reserves - Consolidated balance sheet</i>				
Beginning of year	720	3,240	1,860	(3,534)
Revaluation	-	-	(2,708)	-
Revaluation reserve realised on disposals	-	-	388	(388)
Goodwill previously written off on disposals of business	-	-	-	250
Foreign exchange translation	-	-	(312)	(211)
Retained profit for year	-	-	-	105
End of year	<u>720</u>	<u>3,240</u>	<u>(772)</u>	<u>(3,778)</u>

Aggregate goodwill of £200,000 has been written off to profit and loss account.

	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
<i>(c) Reserves - Company balance sheet</i>				
Beginning of year	720	3,240	(2,972)	1,298
Revaluation and exchange	-	-	(3,183)	-
Retained profit for year	-	-	-	307
End of year	<u>720</u>	<u>3,240</u>	<u>(6,155)</u>	<u>1,605</u>

As permitted by section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the company has not been presented. The profit before dividends recognised in the company's profit and loss account is £820,000 (1999 loss £1,551,000).

	2000 £000	1999 £000
<i>(d) Reconciliation of shareholders' funds - Consolidated balance sheet</i>		
Profit for financial year	618	237
Goodwill previously written off, reinstated	250	-
Dividends	(513)	(513)
Issue of shares	-	1
Revaluation and foreign exchange translation	(3,231)	46
	<u>(2,876)</u>	<u>(229)</u>
Shareholders' funds at beginning of year	18,395	18,624
Shareholders' funds at end of year	<u>15,519</u>	<u>18,395</u>

	2000 £000	1999 £000
<i>(e) Reconciliation of shareholders' funds - Company balance sheet</i>		
Profit/(loss) for financial year	820	(1,551)
Dividends	(513)	(513)
Issue of shares	-	1
Revaluation and foreign exchange translation	(3,183)	1,834
	<u>(2,876)</u>	<u>(229)</u>
Shareholders' funds at beginning of year	18,395	18,624
Shareholders' funds at end of year	<u>15,519</u>	<u>18,395</u>

## Notes to accounts *continued*

### 10 Commitments and risks

At the year end the group had no commitments for capital expenditure contracted but not provided for (1999 £nil). Included in cash is £3,691,000 (1999 £2,050,000) on deposit which acts as security to a bank which provides temporary finance to an associate.

The group's financial instruments comprise preference shares, borrowings, some cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for, and facilitate the conduct of, the group's operations. During the year the group also entered into derivative transactions principally forward foreign currency contracts. The purpose of such transactions was to manage the currency risks arising from the group's operations and its sources of finance. It is, and has been throughout the year, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the year. The group finances its operations through a mixture of retained profits, bank borrowings and credit from suppliers. The group borrows at both fixed and floating rates of interest. The group's policy is to finance most of its trading in the currency in which the trade is primarily denominated using mainly floating rate bank borrowings denominated in the particular currency, or credit from suppliers. Any resulting material currency exposure is eliminated through forward currency contracts. The number and amount of such contracts is insignificant compared with the sales carried out. At the year end 16 per cent of the group's borrowings were at fixed rates.

As regards liquidity, approximately 14% of the group's borrowings mature in more than one year. Short-term flexibility is achieved by overdraft facilities. At the end of the year, the group had underdrawn bank facilities which are subject to annual renewal of £300,000 (1999 £800,000). About 80 per cent of the group's turnover is priced in US dollars with most of the rest of the turnover being in sterling. The group has no financial assets apart from short-term debtors and an immaterial amount of cash at bank, other than a US\$5.5 million (1999 £3.3 million) bank deposit and US\$7.5 million (1999 US\$4.0 million) short term loans to associates.

The interest rate profile of the group's financial liabilities (excluding preference shares) at 31 December 2000 was

	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities on which no interest is paid
	£000	£000	£000	£000
2000				
Sterling	(6,235)	(3,205)	(638)	(2,392)
Kenya shillings	(63)	(19)	-	(44)
Euros	(3)	-	-	(3)
	<u>(6,301)</u>	<u>(3,224)</u>	<u>(638)</u>	<u>(2,439)</u>
1999				
Sterling	(6,456)	(1,584)	(2,181)	(2,691)
US dollars	(5,155)	(4,660)	-	(495)
Kenya shillings	(129)	(82)	-	(47)
Euros	(372)	-	-	(372)
	<u>(12,112)</u>	<u>(6,326)</u>	<u>(2,181)</u>	<u>(3,605)</u>

The sterling fixed rate financial liabilities carry a weighted average interest rate of 7.5 (1999 10.3) per cent per annum, fixed for a weighted average period of 3.9 (1999 2.3) years. The financial liabilities on which no interest is paid have a weighted average period until maturity of 0.1 (1999 0.1) years. The floating rate financial liabilities bear interest based on applicable bank base rates.

Financial instruments at 31 December 2000 were

	Book value	Fair value
2000	£000	£000
Short term financial liabilities	(5,756)	(5,756)
Long term borrowings	(525)	(525)
Financial assets	12,786	12,786
Preference shares	(5,705)	(4,564)
1999		
Short term financial liabilities	(11,448)	(11,498)
Long term borrowings	(664)	(664)
Financial assets	16,471	16,471
Forward foreign currency contracts	20	23
Preference shares	(5,705)	(4,978)

Fair values have been calculated using currently available market values and interest rates.

The group's policy towards currency risk is not to cover long term risk in respect of its investments. It has eliminated substantially all exposures arising from trading with financial instruments used as hedges which are marked to market in the accounts. Almost all its investments are in associates and almost all their trade is, in effect, priced in US dollars. Amounts receivable by the group from its associates are denominated mainly in US dollars, with the rest in sterling. That which is denominated in US dollars, and the cash deposit referred to above of \$5.5 million which is denominated in US dollars, are not covered by forward currency contracts. A degree of interest rate risk is accepted as long as the effects of various changes in rates remain within certain prescribed ranges. On the basis of the group's analysis, it is estimated that a rise of one percentage point in all interest rates would have reduced 2000 profit before tax by a negligible amount.

#### 11 Other income and expenses

	2000 Total £000	2000 Continuing £000	2000 Discontinued £000	1999 Total £000
Administrative expenses	(2,923)	(1,353)	(1,570)	(2,883)
Other operating income	90	34	56	236
Income from fixed asset investments	14	14	-	2
Other interest receivable and similar income	1,541	1,416	125	568
	<u>(1,278)</u>	<u>111</u>	<u>(1,389)</u>	<u>(2,077)</u>

#### 12 Profit and loss account analysis

The retained loss for the year is stated after charging

	2000 £000	1999 £000
Depreciation, including finance leases £40,000 (1999 £99,000)	146	230
Operating leases	24	27
Auditors' remuneration - audit fees	38	64
- other	-	11

Interest payable totalling £640,000 (1999 £856,000) comprises group interest on bank loans and overdrafts of £451,000 (1999 £525,000) and group interest on all other loans of £189,000 (1999 £331,000). Continuing and discontinued group interest amounted to £261,000 and £378,000 (1999 £nil and £nil).

## Notes to accounts *continued*

Minority interests includes £(1,000) (1999 £186,000) for share of minority interests of associates. The remaining minority interests are equity minority interests.

	2000 £000	1999 £000
The profit on sale of assets and investments comprises		
Profit on sale of investments	527	-
Goodwill on sale of a business	300	-
Adjustment of the sale proceeds on the disposal of interests in Willington	(53)	-
Profit on sale of tangible fixed assets	-	265
	<u>774</u>	<u>265</u>
Less goodwill originally paid when the above interests were acquired and which, at the time of acquisition, had been written off direct to reserves	250	-
	<u>524</u>	<u>265</u>

Earnings per share has been calculated on the profit on ordinary activities after taxation attributable to ordinary shareholders divided by the average number of ordinary shares in issue, being 9,185,000 during the year (1999 9,185,000). Fully diluted earnings per share is based on 8,461,000 shares (1999 8,747,000 shares) allowing for the exercise of outstanding warrants.

### 13 Staff costs in the United Kingdom

	2000 £000	1999 £000
Wages and salaries	1,007	1,300
Social security costs	102	128
Pension costs	150	224
	<u>1,259</u>	<u>1,652</u>

The average number of persons employed was 31 (1999 41).

The group participates in the R.E.A. Pension Scheme which is a contributory defined benefit pension scheme with assets held in a trustee-administered fund. The cost to the group, which is the same as the amount paid, is shown above. Contributions are established according to the recommendations of the actuary. The scheme was last actuarially assessed, using the projected method, as at 1 January 2000. The principal actuarial assumptions adopted in this valuation were an annual investment return 2% higher than the annual increase in pensionable salaries and 3.5% more than both the annual increase in present and future pensions and the annual increase in retail price inflation.

Employer contributions have been increased by an average 3% from 1 January 2001 in order that the shortfall disclosed by the actuarial valuation at 1 January 2000 will be eliminated over 11 years being the average future service lifetime of the active members of the scheme.

Directors' remuneration is as follows

	Emoluments £000	Bonus £000	Benefits £000	2000 Total £000	1999 Total £000
R M Robinow (chairman)	-	-	7	7	8
N E Newby	133	24	10	167	166
J C Oakley	104	34	12	150	146
J M Green-Armytage - fees	-	-	-	-	-
J R M Keatley - fees	2	-	-	2	2
L E C Letts - fees	-	-	-	-	-
	<u>239</u>	<u>58</u>	<u>29</u>	<u>326</u>	<u>322</u>

Mr Robinow, Mr Green-Armytage and Mr Letts, who did not receive any emoluments, were interested in service arrangements with three other companies whereby aggregate amounts of £195,000 (1999 £156,000) in respect of Mr Robinow, £1,000 (1999 £1,000) in respect of Mr Green-Armytage and £2,000 (1999 £2,000) in respect of Mr Letts were paid during the year.

Directors' pension entitlement	Age at 31 December 2000	Increase in accrued pension during the year £000	Accrued annual pension at year end £000	Increase in transfer value in the year £000
N E Newby	56	6	95	63
J C Oakley	52	2	32	16

#### 14 Related party transactions

The group through R.E.A. Services Limited provided technical and other services valued at £475,000 (1999 £491,000) to related party companies. At 31 December 2000, Emba Holdings Limited provided a loan to the group and company of £2,630,000

#### 15 Taxation

	2000 £000	1999 £000
The tax charge is based on the profit for the year and comprises		
UK corporation tax	(20)	(158)
Foreign taxation	(51)	(35)
Share of taxation of associated companies	23	1
Previous years	63	(22)
	<u>15</u>	<u>(214)</u>

There is no material potential liability for deferred taxation (1999 £nil)

#### 16 Dividends

	2000 £000	1999 £000
Preference dividend	513	513
	<u>513</u>	<u>513</u>

#### 17 Cash flow statement

	2000 £000	1999 £000
<i>(a) Reconciliation of operating profit to operating cashflow</i>		
Operating profit	1,185	1,041
Interest receivable	(1,541)	(568)
Investment income	(14)	(2)
Depreciation	146	230
Decrease in stocks	504	292
Decrease in debtors	4,675	7,967
Increase/(decrease) in creditors	45	(2,719)
Exchange gain/(loss)	7	(72)
Net cash inflow from operating activities	<u>5,007</u>	<u>6,169</u>

## Notes to accounts *continued*

### *(b) Analysis of net debt*

	Opening £000	Cash flow £000	Other £000	Exchange £000	Closing £000
Cash	515	(51)	(45)	(1)	418
Overdrafts	(6,321)	6,245	57	-	(19)
Debt up to one year	(1,416)	(1,273)	(16)	-	(2,705)
Debt over one year	(600)	(575)	75	-	(1,100)
Finance leases	(165)	129	(2)	-	(38)
Bank deposits	2,050	1,641	-	-	3,691
	<u>(5,937)</u>	<u>6,116</u>	<u>69</u>	<u>(1)</u>	<u>247</u>
				2000 £000	1999 £000
Increase in cash in the year				6,194	4,760
Cash flow from debt and leases				(1,719)	(79)
Cash flow from management of liquid resources				1,641	2,050
				<u>6,116</u>	<u>6,731</u>
Cash, debt and leases sold				111	-
New debt and leases, net				(42)	(59)
Exchange				(1)	-
				<u>6,184</u>	<u>6,672</u>
Net debt at beginning of year				(5,937)	(12,609)
Net debt at end of year				<u>247</u>	<u>(5,937)</u>

### *(c) Sale of subsidiary undertakings*

	2000 £000	1999 £000
Net assets disposed of and the related proceeds of sale were as follows		
Tangible fixed assets	246	-
Stock	356	-
Debtors	556	-
Other loans up to one year	(59)	-
Leases up to one year	(40)	-
Creditors	(875)	-
Net assets	<u>184</u>	<u>-</u>
Minority interest	28	-
Satisfied by cash	<u>212</u>	<u>-</u>
Net cash inflow in respect of the sale comprised		
Cash consideration	212	-
Cash at bank and in hand sold	45	-
Bank overdraft sold	(57)	-
	<u>200</u>	<u>-</u>

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### 18 Rates of exchange

		2000		1999	
		Closing	Average	Closing	Average
Bangladesh	Taka	81.00	79.00	82.00	80.00
Indonesia	Rupiah	14,452.00	12,840.00	11,431.50	12,550.00
Kenya	Shilling	116.00	116.00	117.00	114.00
United States of America	Dollar	1.49	1.52	1.61	1.61

### 19 Subsequent events

The group has entered into a contract to sell its long leasehold interest in 7 Bedford Square for a gross consideration of £2.2 million, which after expenses will produce net proceeds of £2.15 million. The sale is subject to shareholders' approval at a meeting to be convened for 3 May 2001. The book value of the property at 31 December 2000 was £1.5 million.

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## Illustrations

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### Front cover

Immature oil palm in East Kalimantan, Indonesia

# R. E. A. Holdings plc

## FORM OF PROXY

I/We the undersigned, being a member(s) of the above-named company, hereby appoint the chairman of the meeting

..... (see notes)  
as my/our proxy to vote and act for me/us and on my/our behalf at the annual general meeting of the company to be held on 3 May 2001 and at any adjournment thereof.

### ANNUAL GENERAL MEETING

Ordinary resolution	For	Against
No 1 To receive the annual report for the year ended 31 December 2000	<input type="checkbox"/>	<input type="checkbox"/>
No 2 To re-elect Mr L E C Letts, who retires by rotation, as a director	<input type="checkbox"/>	<input type="checkbox"/>
No 3 To re-elect Mr N E Newby, who retires by rotation, as a director	<input type="checkbox"/>	<input type="checkbox"/>
No 4 To re-appoint the auditors and to authorise the directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
No 5 To authorise the purchase by the company of up to 242,500 warrants of the company	<input type="checkbox"/>	<input type="checkbox"/>

Signature ..... Date.....

### THE ABOVE FORM OF PROXY SHOULD BE SIGNED

#### Notes

- (1) Please indicate with '✓' in the appropriate space how you wish your vote to be cast. If the form is returned without any indication as to how the proxy should vote, the proxy will vote or abstain as he or she thinks fit.
- (2) This form (and the power of attorney or other authority if any under which it is signed, or a notarially certified copy of such power or authority) must reach the offices of the company's registrars at the address given overleaf not less than 48 hours before the time appointed for holding the meeting.
- (3) Any alterations made in this form of proxy should be initialled.
- (4) If it is desired to appoint any other person (who need not be a member of the company) to act as proxy, insert the name on this form and strike out the words "the chairman of the meeting".
- (5) If the appointer is a corporation this form of proxy must be executed under its common seal or under the hand of an officer attorney duly authorise. Alternatively, a company to which section 36A of the Companies Act 1985 applied may execute this form of proxy by a director and the secretary of the company or by two directors signing the form on behalf of the company (in which case the name of the company should be clearly stated).
- (6) In the case of joint holders, the signature of any one member will suffice.
- (7) Completion and return of a form of proxy will not prevent shareholders from attending the meeting and voting in person if they so wish.

Initials and surname .....

Please Address .....

use .....

block .....

capitals .....

Cut here

First fold

Second fold

Capita I R G plc  
Balfour House  
390/398 High Road  
Ilford  
Essex  
IG1 1NQ

Third fold and tuck in edge

First fold