R.E.A. TRADING LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

The company's registered number is 88367

R.E.A. TRADING LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report on the affairs of the company, together with the consolidated financial statements and auditors' report, for the year ended 31 December 2007

Principal activities and business review

The principal activity of the company continues to be that of an investment holding company with the principal investment representing a controlling interest in the company's Kenyan subsidiary, REA Vipingo Plantations Limited which is listed on the Nairobi Stock Exchange and is engaged in the cultivation of sisal in Kenya and Tanzania and also operates a spinning mill in Tanga The directors expect the present scale and scope of the company's operations to continue unchanged for the foreseeable future Towards the end of the year, the group disposed of its shareholding in Afchem Limited, its Kenyan based chemical agent, which has been shown as a discontinued operation in the financial statements

Total group sisal fibre production increased over the previous year by 5 2% to 17,138 tonnes and has now increased by 28 5% over the past five years During this same period, we have also achieved similarly impressive increases in the quantity of higher grade fibre produced

The Tanga spinning mill was busy throughout the year with good sales into both the local and export markets and overall production of spun product was 3,043 tonnes During the year the mill experienced substantial increases in costs, most notably sisal fibre, labour and oil but, despite this, has produced a satisfactory contribution

Sisal fibre prices, in dollar terms, increased substantially during the year but, unfortunately, the strengthening of the Kenya shilling has negated most of the gains made However, despite the unfavourable exchange rate, turnover on continuing operations increased from £8,880,000 to £9,208,000

During the year the group continued to experience increases in operating expenses and particularly in Tanzania where labour wages increased substantially at the end of the third quarter Further wage increases will take effect in Tanzania from January 2008 and increases in power tariffs are also expected in 2008

Wage negotiations with the Kenya Plantations and Agricultural Workers Union for a new collective bargaining agreement have recently been concluded and will result in an unwelcome further increase in labour costs A further concern to the board is the cost, and other implications, of the new labour laws which are expected to be implemented in Kenya in early 2008

Despite the major impact of the strengthening of the Kenya shilling, and increases in labour and other costs, we have, thanks to increased volumes and the higher dollar prices for fibre, managed to improve profitability Operating profit amounted to £1,423,000 against £1,321,000 for the previous year Profit before tax at £1,242,000 was marginally up on £1,185,000 achieved in 2006

The group balance sheet position at year end remained strong with total equity of £8,181,000 (2006 - £6,722,000) and borrowings increased slightly from £1,419,000 to £1,639,000 due in large part to the strengthening of the Kenyan shilling against sterling at year end

Risks and uncertainties

Country exposure
All of the group's operating activities are located in Kenya and Tanzania and the group is therefore significantly dependent on political and economic conditions in those countries

Agricultural factors
Although the group's operations are located in areas in which rainfall, sunlight hours and soil conditions are well suited to the cultivation of sisal, weather and growing conditions vary from year to year and setbacks are possible As in any agricultural operation, there are also risks that crops may be affected by pests and diseases Over a long period, crop levels should be reasonably predictable but there can be material variations from the norm in individual years

Produce prices
The profitability and cash flow of the group depend both upon world prices of sisal fibre and products, and upon the group's ability to sell its produce at price levels comparable with such world prices

Financial factors
The group is exposed to credit risks, exchange rate movements and to changes in the debt and equity markets in East Africa The group maintains a risk management programme which focuses on the unpredictability of financial markets and seeks to mitigate the potential adverse impact of financial risks on its financial performance within the options available to the group

Other relationships
The operations of the group could be seriously disrupted if there were to be a material breakdown in relations between the group and the host population in its area of operations in East Africa The group is also materially dependent upon its employees and endeavours to manage this dependence by responsible employment practices as detailed under “Employment and environmental practices” below

Employment and environmental practices

The group has adopted policies relating to health and safety, HIV/AIDS and employment practices in general Appropriate health and safety committees with employee representation have been established and the group supports the code of practice adopted by the Sisal Growers’ and Employers’ Association in Kenya which cover employment practices, health and safety, HIV/AIDS policies and environmental standards

The group is committed to the protection of the environment and has commenced experimental forestry programmes at all locations Sisal waste from the decorticating process is recycled by applying it to the fields as a natural fertiliser

Corporate social responsibility

The group devotes considerable resources towards the social welfare of its employees by provision of housing, educational, health and social facilities Particular emphasis has recently been placed upon HIV/AIDS with the establishment, in conjunction with third party organisations, of various awareness programmes and trained peer counsellors from among the workforce

The group acknowledges its responsibilities to the general community and participates in various health, educational and social projects within the areas in which it operates

Dividends

No dividend was paid in respect of the year (2006 £nil) No final dividend is proposed (2006 £nil)

Directors

The directors holding office throughout the year were Mr R M Robinow and Mr J J Robinow

Auditors

An elective resolution was passed on 25 July 2002 dispensing with the requirement to appoint auditors annually Therefore, Deloitte & Touche LLP are deemed to continue as auditors

Disclosure of information to auditors

In the case of each of the persons who were directors of the company at the date when this report was approved

- So far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and

- Each of the directors has taken the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

By order of the Board
R E A SERVICES LIMITED
Secretaries

First Floor
32-36 Great Portland Street
London W1W 8QX

22 August 2008

R.E.A. TRADING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2007

The directors are responsible for preparing the annual report, the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the group financial statements under International Financial Reporting Standards ("IFRS") as adopted by the European Union and the parent company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the company's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS However, directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the company In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

R.E.A. TRADING LIMITED
AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF R.E.A. TRADING LIMITED

We have audited the group and parent company financial statements (the "financial statements") of R E A Trading Limited for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the reconciliation of consolidated movements in equity, the consolidated cash flow statement, the accounting policies, the related notes 1 to 32 to the consolidated financial statements, the company balance sheet, the movement in total shareholders' funds, the accounting policies and the related notes (i) to (vii) to the parent company financial statements These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 regarding director's remuneration and other transactions is not disclosed

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the annual report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

R.E.A. TRADING LIMITED
AUDITORS' REPORT - *continued*
FOR THE YEAR ENDED 31 DECEMBER 2007

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 financial statements 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 financial statements

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended,

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007,

- the group and parent company financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

22 August 2008

R.E.A.TRADING LIMITED
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £'000	*2006 £'000*
Continuing operations:			
Revenue	3	9,208	*8,880*
Cost of sales		(5,088)	*(4,650)*
Gross profit		4,120	*4,230*
Net gain/(loss) arising from changes in fair value of biological assets	12	70	*(288)*
Other operating income		40	*76*
Distribution costs		(409)	*(401)*
Administrative expenses		(2,311)	*(2,212)*
Other operating expenses		(87)	*(84)*
Operating profit	5	1,423	*1,321*
Investment revenues		13	*10*
Other gains and losses	6	(37)	-
Finance costs	8	(157)	*(146)*
Profit before tax		1,242	*1,185*
Tax	9	(258)	*(359)*
Profit for the year from continuing operations		984	*826*
Discontinued operations:			
Loss from discontinued operations	10	(6)	-
Profit for the year		978	*826*
Attributable to			
Equity holders of the parent		620	*451*
Minority interests		358	*375*
		978	*826*

The notes on pages 11 to 31 form an integral part of the financial statements

R.E.A.TRADING LIMITED
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2007

	Notes	2007 £'000	*2006 £'000*
Non-current assets			
Goodwill	11	-	*14*
Biological assets	12	2,329	*2,114*
Property, plant and equipment	13	2,361	*2,168*
Prepaid operating lease rentals	14	810	*750*
Available for sale investments	15	1,446	*810*
Deferred tax assets	20	6	*14*
		6,952	*5,870*
Current assets			
Inventories	16	1,980	*1,509*
Trade and other receivables	17	2,954	*2,390*
Cash and cash equivalents		203	*155*
		5,137	*4,054*
Total assets		12,089	*9,924*
Current liabilities			
Trade and other payables	22	(950)	*(796)*
Current tax liabilities		(36)	*(4)*
Bank overdrafts and loans	18	(1,520)	*(1,167)*
		(2,506)	*(1,967)*
Non-current liabilities			
Bank loans	18	(119)	*(252)*
Deferred tax liabilities	20	(855)	*(674)*
Provisions	21	(428)	*(309)*
		(1,402)	*(1,235)*
Total liabilities		(3,908)	*(3,202)*
Net assets		8,181	*6,722*
Equity			
Share capital	23	3,602	*3,550*
Share premium account	24	615	*562*
Revaluation reserve		759	*438*
Translation reserve	25	(422)	*(614)*
Transfer of assets under common control	26	(119)	-
Retained earnings	27	1,329	*709*
		5,764	*4,645*
Minority interests		2,417	*2,077*
Total equity		8,181	*6,722*

Approved by the Board on 22 August 2008 and signed on behalf of the Board
J J ROBINOW
Director

J. J. Robinow

The notes on pages 11 to 31 form an integral part of the financial statements

R.E.A.TRADING LIMITED
CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £'000	*2006* *£'000*
Exchange differences on translation of foreign operations	338	*(670)*
Revaluation of available for sale investments	321	*246*
Net gain / (loss) recognised directly in equity	659	*(424)*
Profit for the year	978	*826*
Total recognised income and expense for the year	1,637	*402*
Attributable to		
Equity holders of the parent	1,133	*322*
Minority interests	504	*80*
	1,637	*402*

RECONCILIATION OF CONSOLIDATED MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Group 2007 £'000	*Group* *2006* *£'000*
Total recognised income and expense for the year	1,637	*402*
Issue of ordinary shares for acquisition of a minority interest in a subsidiary	105	*262*
Dividends to minority shareholders in subsidiaries	(175)	*(154)*
Acquisition of a minority interest in a subsidiary	(3)	-
Minority interest on gain in inter company sale of investment in subsidiary less acquisition of minority interest by issue of ordinary shares	(105)	-
	1,459	*510*
Equity at beginning of year	6,722	*6,212*
Equity at end of year	8,181	*6,722*

R.E.A.TRADING LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	£'000	*£'000*
Operating activities		
Operating profit from continuing operations	1,423	*1,321*
Operating loss from discontinued operations	(3)	-
Depreciation of property, plant and equipment	363	*327*
Depreciation of prepaid operating lease rentals	1	*1*
(Increase)/decrease in fair value of biological assets	(70)	*288*
Gain on disposal of property, plant and equipment	(18)	*(13)*
Loss on disposal of investments	(3)	*(33)*
Operating cash flows before movements in working capital	1,693	*1,891*
(Increase)/decrease in inventories	(326)	*543*
Increase in receivables	(499)	*(205)*
Increase/(decrease) in payables	93	*(51)*
Increase in provisions	88	*55*
Exchange differences	637	*(247)*
Cash generated by operations	1,686	*1,986*
Taxes paid	(310)	*(533)*
Interest paid	(157)	*(146)*
Net cash from operating activities	1,219	*1,307*
Investing activities		
Investment revenues	13	*10*
Proceeds on disposal of property, plant and equipment	22	*19*
Proceeds on disposal of an investment in a subsidiary	3	-
Purchases of property, plant and equipment	(414)	*(508)*
Expenditure on biological assets	(679)	*(610)*
Purchase of investments and costs incurred on acquisitions of shares in subsidiaries	(37)	*(7)*
Net cash used in investing activities	(1,092)	*(1,096)*
Financing activities		
Dividends paid to minority shareholders	(175)	*(154)*
New borrowings raised	168	*466*
Repayment of borrowings	(424)	*(497)*
Repayment of obligations under finance leases	-	*(26)*
Redemption of minority holding of preference shares in a subsidiary	(7)	-
Net cash used in by financing activities	(438)	*(211)*
Net decrease in cash and cash equivalents	(311)	-
Cash and cash equivalents at beginning of year	(622)	*(686)*
Effect of foreign exchange rate changes	(83)	*64*
Cash and cash equivalents at end of year (note 18)	(1,016)	*(622)*
Movement in net borrowings		
Change in borrowings resulting from cash flows		
(Increase)/decrease in borrowings	(55)	*183*
	(55)	*183*
Currency translation differences	(117)	*129*
Net borrowings at beginning of year	(1,264)	*(1,576)*
Net borrowings at end of year	(1,436)	*(1,264)*

R.E.A.TRADING LIMITED
ACCOUNTING POLICIES (GROUP)

Basis of accounting
The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed for use by the European Union as at the date of completion of the financial statements

The accompanying financial statements are prepared under the historical cost convention as modified by the revaluation of biological assets and available for sale investments which are stated at market value

Adoption of new and revised standards
In the current year the group has adopted IFRS 7 "Financial instruments disclosures" and the related amendments to IAS 1 "Presentation of financial statements" which are effective for reporting periods beginning on or after 1 January 2007 Adoption of these has resulted in expansion of the disclosures regarding the group's financial instruments and management of capital in note 19 Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and brought into effect for the latest reporting period have not led to any changes in the group's accounting policies

At the date of authorisation of the consolidated financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective

- IAS 23 (Revised) "Borrowing costs"
- IFRIC 13 "Customer loyalty programmes"
- IFRS 8 "Operating segments"
- IFRIC 12 "Service concession arrangements"
- IFRIC 14 "IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction"
- IFRIC 15 "Agreements for the construction of real estate"
- IFRIC 16 "Hedges of a net investment in a foreign operation"

The directors anticipate that when the relevant standards and interpretations come into effect for periods commencing on or after 1 January 2008 their adoption will have no material impact on the consolidated financial statements, save for additional disclosures which may be required

Basis of consolidation
The consolidated financial statements consolidate those of the company and its subsidiary companies made up to 31 December each year, with the exception of REA Vipingo Plantations Limited and Sisal and General Consultants Limited which were made up to 30 September each year These dates have been used for the purpose of the consolidated financial statements in order to avoid a delay in preparing such consolidated financial statements

Unless otherwise stated, the acquisition method of accounting has been adopted with assets and liabilities valued at fair value at the date of acquisition The interests of minority shareholders are stated at the minority's proportion of the fair value of the assets and liabilities recognised Results of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition to the effective date of disposal, as appropriate Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group

On acquisition, any excess of the fair value of the consideration given over the fair value of identifiable net assets acquired being recognised as goodwill Any deficiency in consideration given over the fair value of the identifiable net assets acquired is credited to profit or loss in the consolidated income statement in the period of acquisition

R.E.A.TRADING LIMITED
ACCOUNTING POLICIES (GROUP)

All intra-group transactions, balances, income and expenses are eliminated on consolidation

Goodwill
Goodwill is recognised as an asset on the basis described in the above policy "Basis of consolidation" and once recognised is tested for impairment at least annually Any impairment is debited immediately as a loss in the consolidated income statement and is not subsequently reversed On disposal of a subsidiary the attributable amount of any goodwill is included in the determination of the profit or loss on disposal

Goodwill arising between 1 January 1998 and the date of transition to IFRS is retained at the previous UK GAAP amount subject to testing for impairment at that date Goodwill written off to reserves prior to 1 January 1998, in accordance with the accounting standards then in force, has not been reinstated and is not included in determining any subsequent profit or loss on disposal

Negative goodwill is credited to income when it arises

Goodwill arising on the transfer of shares in a subsidiary company from one partly owned group company to another group company at above equity value is excluded from goodwill and is shown as a separate adjustment to equity

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable in respect of goods and services provided in the normal course of business net of VAT and other sales related taxes Sales are recognised upon delivery of products and customer acceptance or on performance of services

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, without any discount Dividend income is recognised when the shareholders' rights to receive payment have been established

Leasing
Leases of property, plant and equipment where the group assumes substantially all the benefits and risks of ownership are classified as finance leases Finance leases are recognised as assets of the group at their fair values or, if lower, at the present value of minimum lease payments and are depreciated over the shorter of the lease terms and their useful lives The corresponding liability is included in the balance sheet as finance lease obligations Lease payments are apportioned between finance charges and a reduction in the lease obligation to produce a constant rate of interest on the balance of the capital repayments outstanding The interest element of the finance charge is charged to profit or loss over the lease period

Rental payments under operating leases are charged to income on a straight-line basis over the term of the relevant lease

Foreign currencies
Transactions in foreign currencies are recorded at the rates of exchange at the dates of the transactions At each balance sheet date monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date Non-monetary assets and liabilities carried at fair values that are denominated in foreign currencies are translated at the rates prevailing at the dates when the fair values were determined Gains or losses arising on retranslation are included in the net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities, which are recognised directly in equity in translation reserve

R.E.A.TRADING LIMITED
ACCOUNTING POLICIES (GROUP)

For consolidation purposes the assets and liabilities of any group entity with a functional currency other than sterling are translated at the exchange rate at the balance sheet date Income and expenses are translated at the average rate for the period Exchange differences arising are classified as equity and transferred to the group's translation reserve Such exchange differences are recognised as income or expenses in the period in which the entity is sold

Retirement benefit costs

Employee entitlements to retirement gratuities are recognised when they accrue to employees A provision is made for the estimated liability for retirement gratuities as a result of services rendered by employees up to the balance sheet date

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

The pension costs are assessed using the projected unit credit method Under this method the cost of providing pensions is charged to the income statement so as to spread the regular costs over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the scheme every three years The pension obligation is measured as the present value of the estimated future cash outflows Actuarial gains or losses which exceed 10 per cent of the greater of the present value of the pension obligations and the fair value of the scheme assets are recognised over the average remaining service lives of employees

The group also makes contributions to a local National Social Security Fund, a defined contribution scheme The group's contributions are charged to the income statement in the year to which they relate

Taxation

The tax expense represents the sum of tax currently payable and deferred tax Tax currently payable represents amounts expected to be paid (or recovered) based on the taxable profit for the period using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date

Deferred tax is provided on the balance sheet liability method on a non discounted basis on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits (temporary differences) Deferred tax is determined using the tax rates enacted or substantially enacted at the balance sheet date Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets or liabilities in a transaction which affects neither the profit for tax purposes nor the accounting profits

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Biological assets
Biological assets (sisal plants) are measured on initial recognition and at each balance sheet date at fair value less point of sale costs The fair value of sisal plants is determined based on the present value of anticipated net cash flows from the sale of sisal fibre deducting anticipated production and point-of-sale costs discounted at a current market determined pre-tax rate

Immature sisal plants are stated at cost

The costs of replanting are recognised as an addition to biological assets, other costs are recognised as an expense in the income statement

The variation in the value of the biological assets in the accounting period, after allowing for expenditure added to the value of the biological assets in the period, is charged or credited to profit or loss as appropriate, with no depreciation being provided on such assets

Property, plant and equipment
All property, plant and equipment is stated at historical cost less accumulated depreciation net of any provision for impairment

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows

Buildings	50 years
Plant and equipment	5 to 10 years

Freehold land is not depreciated

The gain or loss on the disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement

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

Impairment of tangible and intangible assets
At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that any asset has suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired

R.E.A.TRADING LIMITED
ACCOUNTING POLICIES (GROUP)

The recoverable amount of an asset (or cash-generating unit) is the higher of fair value less costs to sell and value in use In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the asset (or cash generating-unit) for which the estimates of future cash flows have not been adjusted If the recoverable amount of an asset (or cash generating-unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (or cash-generating unit) in prior years A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of an impairment loss is treated as a revaluation increase

Inventories

Inventories of agricultural produce are stated at fair value which is defined as the estimate of the selling price in the ordinary course of business less applicable point of sale costs Processed twine and yarn inventories are valued at the lower of factory production costs and net realisable value Cost comprises direct factory labour, other direct costs and related production overheads but excludes interest expense Inventories of spares, lubricants, chemicals and stores are valued at the lower of weighted average cost, or net realisable value

Financial instruments

Financial assets and liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument

Trade receivables

Trade receivables are stated at nominal value as reduced by appropriate allowances for irrecoverable amounts

Available for sale investments

Investments are stated in the balance sheet at fair value, with the difference being taken to equity under revaluation reserve

Bank borrowings

Interest bearing bank loans and overdrafts are recorded as the proceeds received Finance charges, including premiums paid on settlement or redemption are accounted for on an accrual basis to the income account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Trade payables

Trade payables are not interest bearing and are stated at their nominal value

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and, being subject to an insignificant risk of changes in value, are stated at their nominal amounts

Derivative financial instruments

The group may enter into forward foreign exchange contracts to cover specific foreign currency payments The group does not enter into forward foreign exchange contracts to cover anticipated sales and purchases

Any forward foreign exchange contracts are revalued at market value at the end of each accounting period

The resulting gain or loss is recognised immediately in the profit or loss account unless the derivative is designated and qualifies as a hedging instrument The derivative that is not designated and effective as a hedging instrument is classified as held for trading

Further details of derivative financial instruments are disclosed in note 19 to the financial statements

R.E.A.TRADING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities The estimates and assumptions are based on historical experience including expectation of future events that are considered to be relevant

The following are the critical areas of judgement in applying the groups' accounting policies

Biological assets

In determining the fair value of biological assets, the group uses the present value of expected cash flows from the asset discounted at the current market determined pre tax rate The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition The group considers this in determining an appropriate discount rate to be used and in estimating net cash flows Management uses estimates based on historical data relating to yields and market prices of sisal fibre The methodology and assumptions used for estimating both the amount and timing if future cash flows are reviewed to reduce any differences betwen estimates and actual experience The significant assumptions are set out in note 12

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment and whether assets are impaired

Taxation

The group is subject to corporate taxes in various jurisdictions Significant judgement is required in determining the group's liability to such tax

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate the present value There has been no impairment of the goodwill shown in the financial statements

2 ADOPTION OF IFRS

The company elected to account applying International Financial reporting standards "IFRS" effective from 1 January 2004 as its main subsidiary is required to account under IFRS Therefore the company has determined its accounting policies under IFRS

3 REVENUE FROM CONTINUING OPERATIONS

	2007	*2006*
	£'000	*£'000*
Sales of goods	9,150	*8,859*
Revenue from services	58	*21*
	9,208	*8,880*
Other operating income	40	*76*
Investment revenue	13	*10*
Total revenue	9,261	*8,966*

Other operating income includes profit on realisation of investments of £nil (2006 £33,000)

3 REVENUE FROM CONTINUING OPERATIONS (continued)

	2007	2006
	£'000	£'000
Sale of goods		
Sisal cultivation	6,888	6,771
Sisal spinning and other services	2,262	2,088
	9,150	8,859

4 SEGMENT INFORMATION

In the table below, the group's sales are analysed by geographical origin and the carrying amount of segment assets and additions to property, plant and equipment by geographical area of location No analysis is provided by business segment as the group has only one business segment

	2007	2006
	£'000	£'000
Sales by geographical origin		
United Kingdom	58	30
Africa	9,150	8,850
	9,208	8,880
Carrying amount of segment assets by geographical area of asset location		
United Kingdom	2,553	1,956
Africa	5,628	4,766
	8,181	6,722
Additions to property, plant and equipment by geographical area of asset location		
United Kingdom	-	-
Africa	414	508
	414	508

5 OPERATING PROFIT

	2007	2006
	£'000	£'000
Operating profit has been arrived at after charging/(crediting)		
Net foreign exchange losses	(61)	(66)
Depreciation of property, plant and equipment	363	327
Amortisation of prepaid operating lease rentals	1	1
Loss on disposal of property, plant and equipment	(18)	(13)
Loss on disposal of investments	-	(33)
Staff costs (see note 7)	2,776	2,612
Auditors' remuneration for statutory audit services for the company	9	7
Amounts paid to Deloitte & Touche LLP for the audit of the accounts of associates of the company pursuant to legislation	38	37

R.E.A.TRADING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER GAINS AND LOSSES

	2007 £'000	*2006 £'000*
Write off of goodwill at 31 December 2006	(14)	-
Other losses	(23)	-
	(37)	-

7 STAFF COSTS

	2007 Number	*2006 Number*
The average number of persons employed		
Agricultural - permanent	2,712	*2,737*
Merchanting	1	*1*
	2,713	*2,738*
	£'000	*£'000*
Their aggregate remuneration comprised		
Wages and salaries	2,651	*2,492*
Social security costs	88	*83*
Pension costs	37	*37*
	2,776	*2,612*

Directors received no emoluments in the year (2006 £nil)

8 FINANCE COSTS

	2007 £'000	*2006 £'000*
Interest on bank loans and overdrafts and leases	157	*146*
	157	*146*

9 TAX

	2007 £'000	*2006 £'000*
Current tax		
United Kingdom tax	3	-
Foreign tax	396	*230*
Total current tax	399	*230*
Deferred tax		
Current year (including tax on allowable loss, see below)	(141)	*129*
Total deferred tax	(141)	*129*
Total tax	258	*359*

Taxation is provided at the rates prevailing for the relevant jurisdiction, which for the United Kindom and East Africa is 30 per cent

9 TAX (continued)

	2007	2006
The charge for the year can be reconciled to the profit per the income statement as follows	£'000	£'000
Profit before tax		
- Continuing operations	1,242	1,185
- Discontinued operations	(6)	-
	1,236	1,185
Tax at the standard rate of 30% thereon	371	355
Tax effect of the following items		
Expenses that are not deductible in determining taxable profit	42	10
Overseas tax expensed	8	23
Losses not relieved	4	3
Realised exchange losses	-	(5)
Net overprovision of tax in prior years	(4)	(27)
Deferred tax on allowable loss	(163)	-
Tax expense for the year	258	359

A deferred tax asset of £163,000 has been recognised on the allowable losses of £580,000 at 28% on 31 December 2007 No deferred tax asset was recognised on the equivalent loss of £659,000 at 31 December 2006

10 DISCONTINUED OPERATIONS

On 30 November 2007 the group entered into a sale agreement to dispose of Afchem Limited which carried out the group's chemical operations in Kenya The disposal was effective from 30 November 2007 on which date the control of Afchem Limited passed to the acquirer

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows

	2007	2006
	£'000	£'000
Revenue	23	38
Expenses	(26)	(38)
Loss before tax	(3)	-
Loss on disposal of discontinued operations	(3)	-
Net loss attributable to discontinued operations	(6)	-

Afchem Limited had no material effect on the group's cash flows

A loss of £3,000 arose on the disposal of Afchem Limited, being the proceeds of disposal less the carrying value of the subsidiary's net assets and goodwill

11 GOODWILL

	2007 £'000	*2006 £'000*
At cost		
Beginning of year	14	*14*
Amount transferred to income statement	(14)	*-*
End of year	-	*14*

Goodwill has been written off as it reperesented an adjustment to previous negative goodwill which has been credited to profit or loss

12 BIOLOGICAL ASSETS

	2007 £'000	*2006 £'000*
Carrying amount at beginning of year	2,114	*1,897*
Additions to planted area and costs to maturity	679	*610*
Net biological gain/(loss)	70	*(288)*
Exchange differences	(534)	*(105)*
Carrying amount at end of year	2,329	*2,114*
Net biological gain/(loss) comprises		
Loss arising from changes in fair value attributable to physical changes	(1,229)	*(844)*
Gain arising from changes in fair value attributable to price changes	1,299	*556*
	70	*(288)*

The nature of the group's biological assets and the basis of determination of their fair value is explained under "Biological assets" in "Accounting policies (group)"

The key assumptions used in the valuation of biological assets are
- a productive life of sisal plants of eight years,
- an average realised priced of sisal fibre which will remain constant over a number of years,
- a discount rate of between 15% and 20%, and
- cost of production and point of sale cost based on latest approved budgeted costs

R.E.A.TRADING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land £'000	Buildings £'000	Plant and machinery £'000	Work in progress £'000	Total £'000
Cost					
Beginning of year	363	627	3,155	11	4,156
Additions	-	-	239	175	414
Transfers	-	87	66	(153)	-
Exchange differences	30	54	222	-	306
Disposals		-	(69)	-	(69)
End of year	393	768	3,613	33	4,807
Accumulated depreciation					
Beginning of year	-	78	1,910	-	1,988
Charge for year	-	12	351	-	363
Exchange differences	-	7	153	-	160
Eliminated on disposals	-	-	(65)	-	(65)
End of year	-	97	2,349	-	2,446
Carrying amount					
Beginning of year	363	549	1,245	11	2,168
End of year	393	671	1,264	33	2,361

At the end of the year the book value of finance leases, included in property, plant and equipment was £nil (2006 £nil)

At the balance sheet date, the group had entered into contracted capital commitments for the acquisition of property, plant and equipment amounting to £134,000 (2006 £nil)

14 PREPAID OPERATING LEASE RENTALS

	2007 £'000	*2006 £'000*
Book value		
Beginning of year	750	*822*
Amortisation	(1)	*(1)*
Exchange differences	61	*(71)*
End of year	810	*750*

15 AVAILABLE FOR SALE INVESTMENTS

	2007 £'000	*2006 £'000*
Listed equity investments at market value	1,446	*810*

The main such investment is shares in SA SIPEF NV which is incorporated in Belgium and quoted on the Euronext Brussels Exchange

16 INVENTORIES

	2007	2006
	£'000	£'000
Agricultural (sisal)	1,045	749
Engineering and stores	935	760
	1,980	1,509

17 TRADE AND OTHER RECEIVABLES

	2007	2006
	£'000	£'000
Trade - due from sale of goods	958	596
Prepayments and accrued income	157	186
Taxation	78	129
Deposits and other receivables	611	434
Related parties	1,150	1,045
	2,954	2,390

The directors consider that the carrying amount of trade and other receivables approximates their fair value The average credit period is 36 days (2006 25 days)

18 BANK LOANS AND OVERDRAFTS

	2007	2006
	£'000	£'000
Bank loans	420	642
Bank overdrafts	1,219	777
	1,639	1,419
The borrowings are repayable as follows		
On demand or within one year	1,520	1,167
In the second year	88	224
In the third to fifth years inclusive	31	28
	1,639	1,419
Less Amount due for settlement within 12 months (shown under current liabilities)	(1,520)	(1,167)
Amount due for settlement after 12 months	119	252
Cash and cash equivalents for the purposes of cash flow comprises		
Cash and cash equivalents	203	155
Bank overdrafts	(1,219)	(777)
	(1,016)	(622)

The bank loans and overdrafts are secured by first legal charges and debentures over certain of the group's immovable properties and other assets

Analysis of borrowings by currency

	Kenyan shs	Tanzanian shs	US dollars
At 31 December 2007	£'000	£'000	£'000
Bank loans	333	87	-
Bank overdrafts	787	236	196
	1,120	323	196

18 BANK LOANS AND OVERDRAFTS (continued)

Analysis of borrowings by currency

	Kenyan shs	Tanzanian shs	US dollars
At 31 December 2006	£'000	£'000	£'000
Bank loans	404	238	-
Bank overdrafts	523	90	164
	927	328	164

The weighted average interest rates paid were as follows

	Kenyan shs	Tanzanian shs	US dollars
At 31 December 2007			
Bank loans	9 6%	13 0%	-
Bank overdrafts	10 1%	12 5%	7 1%
At 31 December 2006			
Bank loans	10 2%	12 7%	-
Bank overdrafts	10 9%	13 0%	6 2%

The directors estimate the fair value of the group's borrowings approximates their carrying value At the balance sheet date, the group had undrawn bank facilities of £213,000 (2006 £591,000)

19 FINANCIAL INSTRUMENTS

Financial risk management objectives

The main risks to the group relate to its investment in REA Vipingo Plantations Limited ("RVP") a company listed on the Nairobi Stock Exchange Control over such risks is delegated to RVP RVP's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk

RVP's risk management programme seeks to minimise the effect of the risks by the options available to it in East Africa which do not include the use of derivative financial instruments but include currency borrowings and forward sales of product No financial instruments are entered into for speculative purposes

Capital risk management

The group manages as capital its debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to shareholders of the parent, comprising issued ordinary share capital, reserves and retained earnings as disclosed in notes 23 to 27 The group is not subject to externally imposed capital requirements

Net debt to equity ratio

The gearing ratio at the end of the year is as follows	2007	*2006*
	£'000	*£'000*
Debt	1,639	*1,419*
Cash and cash equivalents	(203)	*(155)*
Net debt	1,436	*1,264*
Equity	8,181	*6,722*
Net debt to equity ratio	18%	*19%*

19 FINANCIAL INSTRUMENTS (continued)

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in the "Accounting policies (group)" section of this annual report

Categories of financial instruments
Non-derivative financial assets as at 31 December 2007 comprised loans and receivables, available for sale investments and cash and cash equivalents amounting to £4,368,000 (2006 £3,040,000)

Non-derivative financial liabilities as at 31 December 2007 comprised liabilities at fair value amounting to £2,278,000 (2006 £1,939,000)

Market risk
The financial market risks to which the group is primarily exposed are those arising from changes in interest rates and foreign currency exchange rates

A one per cent increase in interest applied to those financial instruments shown in the table below entitled "Fair value of financial instruments" as held at 31 December 2007 which carry interest at floating rates would have resulted over a period of one year in a pre-tax profit (and equity) decrease of approximately £15,000 (2006 £15,000)

The group regards the Kenyan shilling as its main functional currency of its operations and the Tanzanian shilling as its second currency and seeks to ensure that, as respects that proportion of its investment in the operations that is met by borrowings, it has no currency exposure The group does not normally otherwise hedge its revenues which are mainly in US dollars and the minority of the costs which arise in currencies other than the Kenyan shilling and Tanzanian shilling, hence it is exposed to a currency risk on sales revenue and certain costs

At the balance sheet date, the group had non sterling monetary items denominated in Kenyan and Tanzanian shillings and US dollars The Tanzanian shilling items are translated to Kenyan shillings at the current rate of exchange and a 5 per cent weakening of Sterling against the Kenyan shilling and the Tanzanian shilling would have resulted in a gain dealt with in the consolidated income statement of £26,000 (2006 £25,000) and in £15,000 (2006 £14,000) in net equity after allowing for minority interests A 5 per cent weakening of the US dollar against either the Kenyan shilling or sterling would increase net worth by £34,000 (2006 £17,000) before taking into account tax thereon and trading income by £388,000 (2006 £381,000) as respects the US dollar denominated non-derivative monetary items

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group The directors consider that the group is not exposed to any major concentrations of credit risk Substantially all sales of goods are made against documents and through its sales agent in the UK At the balance sheet date, no trade receivables were past their due dates, nor were any impaired The maximum credit risk exposures in respect of the group's financial assets at 31 December 2007 and 2006 equal the amounts reported under the corresponding balance sheet headings

19 FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors of the company, through its major operating subsidiary which has established an appropriate framework for the management of the group's short, medium and long-term funding and liquidity requirements Undrawn facilities available to the group at balance sheet date are disclosed in note 18

The following tables detail the contractual maturity of the group's non-derivative financial liabilities The tables have been drawn up based on the undiscounted amounts of the group's financial liabilities based on the earliest dates on which the group can be required to discharge those liabilities The table includes liabilities for both principal and interest

2007	Weighted average interest rate	Under 1 year £'000	Between 1 and 2 years £'000	Over 2 years £'000	Totals £'000
Bank loans					
Kenyan shillings	9 6%	251	77	32	360
Tanzanian shillings	13 0%	76	18	-	94
Bank overdrafts					
Kenyan shillings	10 1%	787	-	-	787
Tanzanian shillings	12 5%	236	-	-	236
US dollars	7 1%	196	-	-	196
Trade and other payables		639	-	-	639
		2,185	95	32	2,312

2006	Weighted average interest rate	Under 1 year £'000	Between 1 and 2 years £'000	Over 2 years £'000	Totals £'000
Bank loans					
Kenyan shillings	10 2%	264	163	13	440
Tanzanian shillings	12 7%	176	74	17	267
Bank overdrafts					
Kenyan shillings	10 9%	523	-	-	523
Tanzanian shillings	13 0%	90	-	-	90
US dollars	6 2%	164	-	-	164
Trade and other payables		520	-	-	520
		1,737	237	30	2,004

At 31 December 2007, the group's non-derivative financial assets (other than receivables) comprised cash and deposits of £203,000 (2006 £155,000) most of which were on non interest bearing bank current accounts

Fair value of financial instruments

The table below provides an analysis of the book values and fair values of financial instruments, excluding receivables and trade creditors, as at the balance sheet date

19 FINANCIAL INSTRUMENTS (continued)

	2007 Book value £'000	2007 Fair value £'000	*2006 Book value £'000*	*2006 Fair value £'000*
Available for sale investments	1,446	1,446	*810*	*810*
Cash and deposits *	203	203	*155*	*155*
Debt - within one year *	(1,520)	(1,520)	*(1,167)*	*(1,167)*
Debt - after more than one year *	(119)	(119)	*(252)*	*(252)*
Net debt	10	10	*(454)*	*(454)*

* bearing interest at floating rates

The fair values of cash and deposits and bank debt approximate their carrying values since these carry interest at current market rates

The fair value of available for sale investments are determined by reference to their quoted prices on the stock exchange on which the investments are quoted A 5 per cent increase in the sterling equivalent of the market value of the investments would increase revaluation reserves by £52,000 (2006 £40,000)

A foreign currency forward contract entered into on 19 December 2007 to purchase US$1,000,000 against sterling matured on 19 March 2008 and was effectively extended on that date The fair value of the forward foreign exchange contract has been assessed by using the quoted forward foreign exchange rates with maturities corresponding to the applicable cash flows The valuation of the forward foreign exchange contract at 31 December 2007 at fair value was similar to the original cost and in the opinion of the directors, the gain or loss would have a negligible effect in the profit or loss and in the balance sheet of the group

20 DEFERRED TAX

	2007 £'000	*2006 £'000*
Analysis for financial reporting purposes		
Deferred tax liabilities	(855)	*(674)*
Deferred tax assets	6	*14*
Net position	(849)	*(660)*

Movement in the net deferred tax position during the year

	£'000
At beginning of year	(660)
Charge to income for the year	141
Charge to equity for the year	(295)
Exchange differences	(35)
At end of year	(849)

R.E.A.TRADING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 DEFERRED TAX (continued)

The following are the major deferred tax liabilities and assets recognised by the group and the movements thereon during the year and the preceding year

Deferred tax liabilities	Biological assets	Accelerated tax depreciation	Inventory	Chargeable gain	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2007	634	242	23	-	899
Charge to income for year	28	10	-	(163)	(125)
Charge to equity in year	-	-	-	295	295
Exchange differences	37	14	2	-	53
At 31 December 2007	699	266	25	132	1,122

Deferred tax assets	Provisions	Tax losses	Total
	£'000	£'000	£'000
At 1 January 2007	227	12	239
Charge to income for year	27	(11)	16
Exchange differences	19	(1)	18
At 31 December 2007	273	-	273

	£'000
Net deferred tax liability at end of year	849
Net deferred tax liability at beginning of year	660

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £192,000 (2006 £150,000) No liability has been recognised in respect of these differences because the group is in a position to control the reversal of the temporary differences and it is probable that such differences will not significantly reverse in the foreseeable future

21 PROVISIONS

	2007	*2006*
	£'000	*£'000*
Staff retirement benefit		
Beginning of year	309	*281*
Charged to income statement	113	*74*
Utilised during year	(26)	*(19)*
Translation adjustment	32	*(27)*
End of year	428	*309*

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

R.E.A.TRADING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE AND OTHER PAYABLES	2007	*2006*
	£'000	*£'000*
Trade purchases and ongoing costs	393	*280*
Accruals	311	*276*
Other payables	246	*240*
	950	*796*

The average credit period taken on trade payable is 36 days (2006 36 days) The directors estimate that the fair value of the other loans and payables approximates their carrying value

23 SHARE CAPITAL	2007	*2006*
	£'000	*£'000*
(a) Share capital		
Authorised		
4,000,000 (2006 4,000,000) Ordinary shares of £1 each	4,000	*4,000*
Issued, called up and fully paid		
3,602,000 (2006 3,550,000) Ordinary shares of £1 each	3,602	*3,550*

On 25 May 2007, 52,000 ordinary shares of £1 each were issued, called up and fully paid at a premium of £53,000

24 SHARE PREMIUM	2007	*2006*
	£'000	*£'000*
Beginning of year	562	*450*
Issue of ordinary shares	53	*112*
End of year	615	*562*

25 TRANSLATION RESERVE	2007	*2006*
	£'000	*£'000*
Beginning of year	(614)	*(239)*
Exchange differences arising on translation of overseas operations	192	*(375)*
End of year	(422)	*(614)*

26 TRANSFER OF ASSETS UNDER COMMON CONTROL	2007	*2006*
	£'000	*£'000*
Beginning of year	-	-
Goodwill on transfer during the year	(119)	-
End of year	(119)	-

27 RETAINED EARNINGS	2007	*2006*
	£'000	*£'000*
Beginning of year	709	*258*
Retained earnings	620	*451*
End of year	1,329	*709*

R.E.A.TRADING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DISPOSAL OF SUBSIDIARY

As referred to in note 9 on 30 November 2007, the group disposed of its interest in Afchem Limited The net assets of the subsidiary at the date of disposal were as follows

	£'000
Property, plant and equipment	1
Trade receivables	6
Bank balance	1
Trade payables	(2)
Net assets disposed of	6
Loss on disposal	(3)
Total consideration satisfied by cash received after year end	3

29 RETIREMENT BENEFIT OBLIGATIONS

A subsidiary company operates a defined benefit pension scheme for certain employees The assets of the scheme are held in a separate trustee administered fund The pension cost to the group is assessed in accordance with actuarial advice A full actuarial valuation was carried out as at 31 December 2006 using the following assumptions

Discount rate	10%
Expected rate of return on scheme assets	10%
Future salary increases	7%
Future pension increases	7%

	2007 £'000	*2006* *£'000*
Amounts recognised in income in respect of the defined benefit scheme is as follows		
Current service cost	21	*30*
Interest cost	49	*39*
Expected return on scheme assets	(47)	*(35)*
Past service cost	14	*3*
Contributions paid included in administrative expenses	37	*37*
The amount included in the balance sheet is determined as follows		
Present value of defined benefit obligations	580	*469*
Fair value of scheme assets	(559)	*(427)*
Deficit in scheme	21	*42*
Past service costs not yet recognised in the balance sheet	(21)	*(42)*
Liability recognised in the balance sheet	-	-

The next full actuarial valuation is due as at 1 January 2010

R.E.A.TRADING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note Transactions between the company and its subsidiaries are dealt with in the company's individual financial statements Willington Limited, Robinow Limited, Emba Holdings Limited and Wigglesworth & Co Limited are related parties by virtue of their connections with the Robinow family

The following transactions were carried out with related parties

	2007	*2006*
	£'000	*£'000*
Sales of sisal fibres and yarns	7,767	*7,614*
Current borrowings	95	*204*
Current trade receivables	873	*506*
Receivables from related parties	1,150	*1,045*

Current receivables relate to the sales of goods and services by subsidiary companies and are unsecured No guarantees have been given as received

The sole shareholder in the company is Mr H M Robinow who is the ultimate controlling party

31 OPERATING LEASE COMMITMENTS

	2007	*2006*
	£'000	*£'000*
Future minimum lease payments under non-cancellable operating leases are as follows		
Within one year	41	*39*
Between two and five years	88	*105*
	129	*144*

32 POST BALANCE SHEET EVENTS

An exchange gain of £3,578 was realised on 19 March 2008 resulting from the closing of a forward exchange contract set up by the company on 19 December 2007 to purchase US$1,000,000

R.E.A.TRADING LIMITED
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	2007 £'000	*2006 £'000*
Fixed assets			
Investments	(i)	2,938	*1,980*
		2,938	*1,980*
Current assets			
Debtors	(ii)	1,194	*1,085*
Bank balances and cash		71	*9*
		1,265	*1,094*
Creditors falling due within one year	(iii)	(709)	*(8)*
Net current liabilities		556	*1,086*
Net assets		3,494	*3,066*
Capital and reserves			
Called up share capital	(iv)	3,602	*3,550*
Share premium	(v)	615	*562*
Profit and loss account	(v)	(723)	*(1,046)*
Total shareholders' funds		3,494	*3,066*

Approved by the Board on 22 August 2008
J J ROBINOW
Director

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

R.E.A.TRADING LIMITED
MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £'000	*2006 £'000*
Profit for the financial year	323	*146*
Issue of new shares	105	*262*
Shareholders' funds at beginning of year	3,066	*2,658*
Shareholders' funds at end of year	3,494	*3,066*

R.E.A.TRADING LIMITED
ACCOUNTING POLICIES (COMPANY)

Accounting convention

Separate financial statements of R E A Trading Limited (the "company") are required by the Companies Act 1985, as permitted by that act they have been prepared in accordance with generally accepted accounting practice in the United Kingdom ("UK GAAP") The principal accounting policies have been applied consistently

The accompanying financial statements have been prepared under the historical cost convention

By virtue of section 230 of the Companies Act 1985, the company is exempted from presenting a profit and loss account Equally, no cash flow statement has been prepared, as permitted by FRS 1 (revised 1996) "Cash flow statements"

Investments

The company's investments in its subsidiaries and other listed investments are stated at cost less any provisions for impairment

Impairment provisions are charged to the profit and loss account Only dividends received or receivable are credited to the company's profit and loss account

Foreign exchange

Transactions in foreign currencies are recorded at the rates of exchange at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date Differences arising on translation of opening net assets and foreign currency loans (other than foreign currency loans treated as investments in subsidiaries), and all other exchange differences are included in the profit and loss account

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 a non discounted basis on timing and other differences which are expected to 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 any future remittance of earnings of overseas subsidiaries where no commitment to has been made to remit such earnings

Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted

R.E.A.TRADING LIMITED
NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2007

(i) INVESTMENTS

	2007	*2006*
	£'000	*£'000*
Shares in subsidiary companies (including listed £2,416,000, 2006 £1,093,000)	2,566	*1,608*
Other listed investments	372	*372*
	2,938	*1,980*

The movements during the year were	£'000
At 1 January 2007	1,980
Repayments of loans by subsidiaries	(462)
Purchase of further shares in subsidiaries	1,434
Disposal of shares in subsidiaries	(14)
At 31 December 2007	2,938

The market value of the listed investments is £6,955,000 (2006 £6,045,000)

Subsidiaries

The principal subsidiaries at the year end are listed below

Aftex Limited (incorporated in Guernsey)	Textile machinery agent	100 per cent
REA Vipingo Plantations Limited (incorporated in Kenya)	Plantations	57 per cent
Sisal & General Consultants Limited (incorporated in Guernsey)	Consultancy	100 per cent
Unitbuckle Holdings Limited (incorporated in England and Wales)	Investment	100 per cent

All investments were held directly by the company All the above holdings are in ordinary shares

In May 2007, the company acquired the former minority interest in the ordinary shares of Unitbuckle Holdings Limited in consideration of the issue of 52,000 new shares in the capital of the company credited as fully paid Subsequently, in June 2007, all of the outstanding preference shares of Unitbuckle Holdings Limited were repurchased for cash and Unitbuckle Holdings Limited became a wholly owned subsidiary of the company

(ii) DEBTORS

	2007	*2006*
	£'000	*£'000*
Group companies	22	-
Related party debtors	1,150	*1,045*
Other debtors	22	*40*
	1,194	*1,085*

(iii) CREDITORS FALLING DUE WITHIN ONE YEAR

	2007	*2006*
	£'000	*£'000*
Group companies	674	-
Corporation tax	3	-
Accruals	32	*8*
	709	*8*

R.E.A.TRADING LIMITED
NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2007

(iv) CALLED UP SHARE CAPITAL

	2007	*2006*
	£'000	*£'000*
Authorised		
4,000,000 (2006 4,000,000) Ordinary shares of £1 each	4,000	*4,000*
Issued, called up and fully paid		
3,602,000 (2006 3,550,000) Ordinary shares of £1 each	3,602	*3,550*

On 25 May 2007, 52,000 ordinary shares of £1 each were issued, called up and fully paid at a premium of £53,000

(v) MOVEMENT IN RESERVES

	Share premium	Profit and loss account
	£'000	£'000
Beginning of year 1 January 2007	562	(1,046)
New ordinary shares issued	53	-
Retained profit for the year	-	323
End of year 31 December 2007	615	(723)

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 £323,000 (2006 profit £146,000)

The directors received no emoluments in the year (2006 £nil) The auditors' remuneration for statutory audit services for the company was £8,000 (2006 £7,000)

(vi) CONTROLLING PARTY

The sole shareholder in the company is Mr H M Robinow who is the ultimate controlling party

(vii) POST BALANCE SHEET EVENTS

An exchange gain of £3,578 was realised on 19 March 2008 resulting from the closing of a forward exchange contract set up by the company on 19 December 2007 to purchase US$1,000,000