R.E.A. TRADING LIMITED

ANNUAL REPORT

31 DECEMBER 2013

The company's registered number is 88367

R.E.A. TRADING LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

Principal activities and business review

The principal activity of the company continues to be that of an investment holding company with the principal investment consisting of 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 (Tanzania). The area planted with sisal at 30 September 2013 was 15,160 hectares (2012: 14,386 hectares).

The volume of sisal fibre produced at 19,168 tonnes was much in line with the production for the previous year (19,504 tonnes). This outcome reflected electricity supply and other problems in Tanzania which meant that the Tanzanian estates again produced at below their potential production level.

Despite lower volumes, the Tanga spinning mill produced a better result with some improvement in sales prices and well controlled costs. Overall production of spun products and ropes was 2,448 tonnes (2012 - 2,767 tonnes). The bulk of the production was sold into local and regional markets.

The group's vegetable project had a challenging year as a result of difficulties experienced in sourcing high yielding baby corn seed. These difficulties were eventually resolved and satisfactory baby corn yields are now again being achieved.

With higher sisal prices compensating for the slight reduction in volumes, revenue at £19,390,000 was very simlar to that of the preceding year (£19,490,000).

During the year, the company's 95 per cent owned Indonesian subsidiary, PT Robindo Natayara ("Robindo"), continued the planned development of its coal business. Robindo has previously acquired rights in respect of three locally owned coal concessions in East Kalimantan entitling it to extract coal from these concessions and to retain the proceeds of selling such coal against payment of agreed royalties. One concession was brought into production in December 2012 and achieved production during 2013 of 72,000 tonnes. Operational efforts are now being concentrated on opening the second adjacent concession while discussions are currently in hand on farming out production at the third concession against a participation in the revenues from mining that concession.

Operating profit for the year amounted to £3,875,000 (against £3,861,000 for 2012) and profit before tax to £3,873,000 (against £3,732,000). The year on year improvement would have been greater were it not for foreign exchange losses during 2013 (principally reflecting a sharp decline in the Indonesian rupiah during the year) of £813,000 (2012: 218,000).

At 31 December 2013, shareholder funds amounted to £10.9 million against £9.7 million at 31 December 2012. Net indebtedness fell during the year from £765,000 to nil.

In November 2013, the company initiated a take-over offer on the Nairobi Securities Exchange to acquire the outstanding 43 per cent minority in REA Vipingo Plantations Limited, the subsidiary of the company that is the holding company of the group's sisal operations. Two counter-offers have subsequently been made and the outcome of the company's offer is currently uncertain.

Going concern

The financial statements have been prepared on the going concern basis as the directors consider that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, the directors have had due regard to the current financial position of the group, the resources available to it, budgeted future income and expenditure, the risks and uncertainties detailed below and the risk management policies described in note 17 to the consolidated financial statements.

Risks and uncertainties

The group's business involves risks and uncertainties. Those risks and uncertainties that the directors currently consider to be material are described below. There are or may be other risks and uncertainties faced by the group that the directors currently deem immaterial, or of which they are unaware, that may have a material adverse impact on the group.

Where risks are reasonably capable of mitigation, the group seeks to mitigate them. Beyond that, the directors endeavour to manage the group's finances on a basis that leaves the group with some capacity to withstand adverse impacts from identified areas of risk but such management cannot provide insurance against every possible eventuality.

Most 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.

The Bribery Act 2010, which applies worldwide to interests of UK companies, has created an offence of failure by a commercial organisation to prevent a bribe being paid. It will be a defence if the organisation has adequate procedures in place to prevent bribery. The group has always sought to maintain an internal culture in which propriety of dealing is regarded as paramount. To mitigate further the risks in this area, and in recognition of the implications of the Bribery Act, the group seeks regularly to reinforce its established culture and controls.

<u>Agricultural activities</u>

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. The group does not use derivatives to hedge price risk.

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 populations 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.

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 a 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 of future cash flows are reviewed to reduce any differences between estimates and actual experience. The significant assumptions are set out in note 10 to the consolidated financial statements.

Coal activities

The profitability and cashflow of the coal merchanting operations will be dependent upon production volumes and efficiencies and the prevailing level of world coal prices.

Key performance indicators ("KPIs")

The directors are of the opinion that the development and performance of the group's business and the group's financial position can be best understood and evaluated from the information given under "Principal activities and business review" above as respect planted hectarage, agricultural and spun fibre outputs, operating profits and shareholder funds.

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. In recent years, particular emphasis has 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.

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

First Floor
32-36 Great Portland Street
London W1W 8QX
14 July 2014

R.E.A. TRADING LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report for the year ended 31 December 2013.

Dividends

Holders of the preference shares waived their entitlements to dividends in respect of 2013. No ordinary dividend was paid in respect of the year (2012: £nil). No final dividend is proposed (2012: £nil).

Supplier payment policy

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

Directors

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

Directors' indemnities

There were no qualifying third party indemnity provisions for the benefit of its directors made during the year and there are none at the date of this report.

Auditor

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

Disclosure of information to auditor

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 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 in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

First Floor
32-36 Great Portland Street
London W1W 8QX
14 July 2014

R.E.A. TRADING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the annual 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 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- 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 IFRSs 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

By order of the board
R.E.A. SERVICES LIMITED
Secretary
14 July 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REA Trading Limited

We have audited the financial statements of R.E.A. Trading limited for the year ended 31/12/2013 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity, the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 29 and i to viii. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31/12/2013 and of the group's and the parent company's profit[loss] for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

MARK MCILQUHAM ACA (senior statutory auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
14/07/2014

R.E.A.TRADING LIMITED
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £'000	*2012 £'000*
Revenue	3	19,620	*19,490*
Cost of sales		(9,312)	*(9,217)*
Gross profit		10,308	*10,273*
Net change in fair value of biological assets	10	313	*(628)*
Other operating income		20	*91*
Distribution costs		(702)	*(613)*
Administrative expenses		(6,038)	*(5,237)*
Other operating expenses		(26)	*(25)*
Operating profit	5	3,875	*3,861*
Investment revenue		210	*192*
Other gains and losses	6	-	-
Finance costs	8	(212)	*(321)*
Profit before tax		3,873	*3,732*
Tax	9	(1,572)	*(1,402)*
Profit for the year		2,301	*2,330*

Attributable to:		
Equity holders of the parent	892	*1,081*
Non-controlling interests	1,409	*1,249*
	2,301	*2,330*

R.E.A.TRADING LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	*2012*
	£'000	*£'000*
Profit for the year	2,301	*2,330*
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit scheme asset	273	*-*
Items that may be reclassified subseuqently to profit and loss:		
Exchange differences on translation of foreign operations	(64)	*(1,074)*
Revaluation of available for sale investments	21	*(38)*
Tax relating to components of other comprehensive income	26	*65*
	(17)	*(1,047)*
Total comprehensive income for the year	2,557	*1,283*
Attributable to:		
Equity holders of the parent	1,234	*531*
Non-controlling interests	1,323	*752*
	2,557	*1,283*

R.E.A.TRADING LIMITED
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013

	Notes	2013 £'000	*2012* *£'000*
Non-current assets			
Biological assets	10	6,178	*4,688*
Property, plant and equipment	11	4,569	*4,513*
Prepaid operating lease rentals	12	1,421	*1,470*
Coal development	12	634	*815*
Investments	13	1,888	*1,869*
Defined benefit scheme	27	417	*134*
Deferred tax assets	18	29	*14*
		15,136	*13,503*
Current assets			
Inventories	14	3,100	*3,295*
Trade and other receivables	15	3,147	*3,298*
Cash and cash equivalents	16	4,273	*314*
		10,520	*6,907*
Total assets		25,656	*20,410*
Current liabilities			
Trade and other payables	20	(4,030)	*(1,474)*
Current tax liabilities		(378)	*(29)*
Borrowings	16	(207)	*(732)*
		(4,615)	*(2,235)*
Non-current liabilities			
Borrowings	16	(201)	*(347)*
Deferred tax liabilities	18	(2,512)	*(2,057)*
Provisions	19	(974)	*(776)*
		(3,687)	*(3,180)*
Total liabilities		(8,302)	*(5,415)*
Net assets		17,354	*14,995*
Equity			
Share capital	21	4,202	*4,202*
Share premium account	22	15	*15*
Investment revaluation reserve	23	1,198	*1,151*
Translation reserve	24	(769)	*(909)*
Retained earnings	25	6,298	*5,251*
		10,944	*9,710*
Non-controlling interests	26	6,410	*5,285*
Total equity		17,354	*14,995*

The financial statements were approved and authorised for issue by the Board on 14 July 2014 and are signed on its behalf

R M ROBINOW
Director

R.E.A.TRADING LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital	Share premium	Investment revaluation reserve	Translation reserve	Retained earnings	Sub total	Non-controlling interests	Total equity
	(note 21)	*(note 22)*	*(note 23)*	*(note 24)*	*(note 25)*		*(note 26)*	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2012	3,602	615	1,124	(332)	4,170	9,179	4,736	13,915
Total comprehensive income	-	-	27	(577)	1,081	531	752	1,283
Capitalisation issue	600	(600)						
Dividends to minority shareholders in subsidiary	-	-	-	-	-	-	(203)	(203)
At 31 December 2012	4,202	15	1,151	(909)	5,251	9,710	5,285	14,995
Total comprehensive income	-	-	47	140	1,047	1,234	1,323	2,557
Dividends to minority shareholders in subsidiary	-	-	-	-	-	-	(198)	(198)
At 31 December 2013	4,202	15	1,198	(769)	6,298	10,944	6,410	17,354

R.E.A.TRADING LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £'000	*2012 £'000*
Operating activities		
Operating profit	3,875	*3,861*
Depreciation of property, plant and equipment	769	*645*
Amortisation of prepaid operating lease rentals	19	*19*
Biological (gain) / loss	(313)	*627*
Gain on disposal of property, plant and equipment	(73)	*(53)*
Remeasurement of net defined benefit scheme asset	273	-
Operating cash flows before movements in working capital	4,550	*5,099*
Decrease in inventories	127	*946*
Increase in receivables	(126)	*(298)*
Increase / (decrease) in payables	2,585	*(230)*
Increase in defined benefit scheme asset	(283)	*(134)*
Increase in provisions	203	*64*
Exchange translation differences	711	*(1,013)*
Cash generated by operations	7,767	*4,434*
Taxes paid	(553)	*(1,324)*
Interest paid	(212)	*(321)*
Net cash from operating activities	7,002	*2,789*
Investing activities		
Investment revenues	210	*192*
Proceeds on disposal of property, plant and equipment	90	*57*
Purchases of property, plant and equipment	(1,067)	*(954)*
Expenditure on biological assets	(1,398)	*(980)*
Proceeds on disposal of prepaid operating lease rentals	-	-
Expenditure on coal development	-	*(32)*
Proceeds on disposal of investments	(7)	-
Net cash used in investing activities	(2,172)	*(1,717)*
Financing activities		
Dividends paid to minority shareholders	(198)	*(202)*
Net decrease in long term borrowings	(139)	*(386)*
Net decrease in short term borrowings	(71)	*(704)*
Net cash used in financing activities	(408)	*(1,292)*
Net cash and cash equivalents		
Net (decrease) / increase in cash and cash equivalents	4,422	*(220)*
Net cash and cash equivalents at beginning of year	(125)	*100*
Effect of foreign exchange rate changes	(24)	*(5)*
Net cash and cash equivalents at end of year (note 16)	4,273	*(125)*
Movement in net borrowings		
Change in borrowings resulting from cash flows:		
Decrease / (increase) in cash and cash equivalents	4,422	*(220)*
Decrease in borrowings	210	*1,090*
	4,632	869
Currency translation differences	(2)	*(95)*
Net borrowings at beginning of year	(765)	*(1,539)*
Net borrowings at end of year	3,865	*(765)*

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

Basis of accounting

R.E.A. Trading Limited is a company incorporated in the United Kingdom under the Companies Act 2006 with registration number 88367. The company's registered office is at First Floor, 32-36 Great Portland Street, London W1X 8QX. Details of the group's principal activities are provided in the "Strategic report".

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed for use by the European Union ("EU") as at the date of approval of the financial statements and therefore comply with Article 4 of the EU IAS Regulation.

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.

Going concern

The financial statements have been prepared on the going concern basis as the directors consider that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, the directors have had due regard to the current financial position of the group, the resources available to it, budgeted future income and expenditure, the risks and uncertainties detailed in the directors' report and the risks and risk management policies detailed in note 17 to the consolidated financial statements.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these accompanying financial statements.

- IAS 1 (amended): "Presentation of financial statements"
- IAS 12 (amended): "Income taxes"
- IAS 19 (revised): "Employee benefits"
- IAS 27 (revised): "Separate financial statements"
- IFRS 13: "Fair value measurement"

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IAS 27 (amended): "Investment entities"
- IAS 36: "Impairment of Assets"
- IAS 39: "Novation of derivatives and continuation of hedge accounting"
- IFRS 9: "Financial instruments"
- IFRS 10: "Consolidated financial statements"
- IFRS 12: "Disclosure of interests in other entitites"
- IFRIC 21: "Levies"

The directors do not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements in future periods.

Basis of consolidation

The consolidated financial statements consolidate those of the company and its subsidiary companies made up to 31 December each year, save that, as respects REA Vipingo Plantations Limited, financial statements made up to 30 September are consolidated. It would be impractical to prepare additional financial statements for REA Vipingo Plantations Limited to 31 December as the latter is a listed Kenyan company and does not publish the necessary information.

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 non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the subsidiary's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. 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 is recognised as goodwill. Any excess in the fair value of the identifiable net assets acquired over the consideration given is credited to income in the period of acquisition.

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.

Where the group's interest in the fair value of the subsidiary's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the subsidiary and the fair value of the acquirer's previously held equity interest in the subsidiary (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 under translation reserve.

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 transferred to equity under 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 benefit retirement 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.

Retirement benefit costs continued

With effect from 1 January 2013, pension costs are assessed using the projected unit credit method with actuarial valuations at the end of each reporting period. Remeasurement gains and losses are recognised in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Current service cost, past service cost and net interest expense or income are recognised in the income statement. This represents a change from the policy adopted in prior years in which only remeasurement gains or losses which exceeded 10 per cent of the greater of the present value of the pension obligations and the fair value of the scheme assets were recognised in the financial statements.

The group also makes contributions to a local National Social Security Fund, a defined contribution scheme, and to a defined contribution scheme operated by the group. 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 under 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.

Coal development
Payments to acquire coal rights and concessions and expenditure incurred in bringing such rights and concessions into production is capitalised and amortised over the expected life of the assets concerend. Amortisation is charged at a rate per tonne of coal extracted calculated to recover the capitalised expenditue on extraction of the entire estimated mineable reserves.

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.

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 cost 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 payable on settlement or redemption are charged to income on an accruals basis using the effective interest method. The unamortised balances of such amounts are added to the carrying amounts of the borrowings to which they relate.

Trade and other payables

Trade and other 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.

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. A 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 17 to the financial statements.

1 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies which are set out in the "Accounting policies (Group)" section of this annual report, the directors are required to make judgements, estimates and assumptions. Such estimates and assumptions are based on historical experience including expectation of future events that are considered to be relevant. Actual values of assets and amounts of liabilities may differ from estimates. The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 of future cash flows are reviewed to reduce any differences betwen estimates and actual experience. The significant assumptions are set out in note 10.

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. No changes in useful lives were identified at the balance sheet date.

Taxation

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

At each balance sheet date, the directors make a judgement in determining whether it is a appropriate to recognise a deferred tax asset.

Impairment losses

The carrying amounts of tangible assets are reviewed at each balance sheet date to determine whether there is any indication that assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss.

No impairment losses were identified at the balance sheet date.

2 Continuing operations

All operations are continuing.

3 Revenue

	2013	*2012*
	£'000	*£'000*
Sales of goods	19,284	*19,103*
Revenue from rendering of services	336	*387*
	19,620	*19,490*
Other operating income	20	*91*
Investment revenue	210	*192*
Total revenue	19,850	*19,773*

The fair value, less point of sale costs, of sisal leaf harvested for the year was £7,695,000 (2012: £6,944,000).

4 Segment information

	2013	*2012*
	£'000	*£'000*
Sales by geographical origin:		
United Kingdom	-	*-*
Africa	19,055	*19,103*
Indonesia	229	*-*
	19,284	*19,103*

The group is divided into three principal business segments which are reportable under IFRS 8. These comprise: Agriculture - cultivation of sisal, production of sisal fibre and cultivation of horticultural crops; Spinning and services - conversion of sisal fibre into yarns and twines; and Coal - open cast mining and trading of coal.

	Agriculture	Spinning and services	Coal	Head office	Total
	£'000	£'000	£'000	£'000	£'000
2013					
Revenue:					
External	17,136	2,845	229	336	20,546
Inter-segment sales	(894)	(32)	-	-	(926)
Total revenue	16,242	2,813	229	336	19,620
Operating profit	4,507	335	(838)	(129)	3,875
Investment revenue					210
Other gains and losses					-
Finance costs					(212)
Profit before tax					3,873
Tax					(1,572)
Profit for the year					2,301
Depreciation and amortisation	727	30	31	-	788
Capital additions	896	36	3	-	935
Additions to biological assets	1,300				1,300
Total assets	18,730	1,101	1,226	4,599	25,656

4 **Segment information** continued

	Agriculture £'000	Spinning and services £'000	Coal £'000	Head office £'000	Total £'000
2012					
Revenue:					
External sales	16,852	3,394	-	387	20,633
Inter-segment sales	(1,114)	(28)	-	-	(1,142)
Total revenue	15,737	3,366	-	387	19,490
Operating profit	4,088	354	(518)	(63)	3,861
Investment revenue					192
Other gains and losses					-
Finance costs					(321)
Profit before tax					3,732
Tax					(1,402)
Profit for the year					2,330
Depreciation and amortisation	604	30	30	-	663
Capital additions	1,138	51	191	-	1,380
Additions to biological assets	1,230	-	-	-	1,230
Total assets	15,670	1,309	1,490	1,941	20,410

5 **Operating profit**

	2013 £'000	*2012 £'000*
Operating profit has been arrived at after charging/(crediting):		
Net foreign exchange losses	813	*218*
Depreciation of property, plant and equipment	769	*645*
Amortisation of prepaid operating lease rentals	19	*19*
Cost of inventories recognised as an expense	(196)	*(724)*
Gain on disposal of property, plant and equipment	(73)	*(53)*
Staff costs (see note 7)	6,095	*5,592*
Auditor's remuneration for statutory audit services for the company	11	*13*
Amounts paid to Deloitte LLP for the audit of the accounts of subsidiaries of the company pursuant to legislation	62	*54*
Amounts paid to Deloitte LLP for other services to the group in respect of taxation compliance and advice	39	*33*

6 Other gains and losses

	2013	*2012*
	£'000	*£'000*
Gain on available for sale investments	-	-

7 Staff costs

	2013	*2012*
	Number	*Number*
The average number of persons employed was:		
East Africa	3,625	*3,469*
Indonesia	10	*10*
	3,635	*3,479*
	£'000	*£'000*
Their aggregate remuneration comprised:		
Wages and salaries	5,549	*5,134*
Social security costs	264	*221*
Pension costs	41	*41*
	5,855	*5,395*

Details of directors emoluments are disclosed in note (vi) to the company's individual financial statements.

8 Finance costs

	2013	*2012*
	£'000	*£'000*
Interest on bank loans and overdrafts and on leases	212	*321*

9 Tax

	2013	*2012*
	£'000	*£'000*
Current tax:		
United Kingdom tax (net of double taxation relief of £nil; 2012: £48,000).	(2)	*2*
Foreign tax	1,040	*981*
Total current tax	1,038	*983*
Deferred tax:		
Current year	534	*419*
Total deferred tax	534	*419*
Total tax	1,572	*1,402*

9 Tax continued

Taxation is provided at the rates prevailing for the relevant jurisdiction, which for the United Kingdom is 23.25 per cent, East Africa 30 per cent and Indonesia 25 per cent (2012: respectively 24.75 per cent, 30 per cent and 25 per cent).

	2013	*2012*
	£'000	*£'000*
The charge for the year can be reconciled to the profit per the income statement as follows:		
Profit before tax	3,873	*3,732*
Tax at the standard rate of 22.25% (2012: 24.5%) thereon	900	*1,031*
Tax effect of the following items:		
Foreign tax charged at other rates	307	*100*
Income not subject to tax	(35)	*(13)*
Tax on deemed income	1	-
Expenses that are not deductible in determining taxable profit	110	*82*
Overseas tax expensed	54	*59*
Losses utilised	10	*(1)*
Net underprovision of tax in prior years	(2)	*(9)*
Deferred tax asset recognised	227	*153*
Deferred tax on allowable loss	-	-
Tax expense for the year	1,572	*1,402*

10 Biological assets

	2013	*2012*
	£'000	*£'000*
Carrying amount at beginning of year	4,688	*4,564*
Additions to planted area	1,301	*1,230*
Net biological gain/(loss)	313	*(627)*
Exchange differences	(124)	*(479)*
Carrying amount at end of year	6,178	*4,688*
Net biological (loss)/gain comprises:		
Loss arising from changes in fair value attributable to physical changes	(1,554)	*(1,419)*
Gain arising from changes in fair value attributable to price changes	1,867	*792*
	313	*(627)*

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)". Financial risk management strategies relating to agricultural activities are disclosed under "Risks and uncertainties" in the Strategic report.

The key assumptions used in the valuation of biological assets are:
- a productive life of sisal plants of eight years;
- an average realised price of sisal fibre which will remain constant over a number of years;
- a discount rate of 17.5% (2012 - discount rate of 15%);
- cost of production and point of sale cost based on latest approved budgeted costs; and
- assumed annual inflation of between 11% (2012: 7.5% and 10%);
- 42% of fair value is attributable to the regeneration of sisal leaf.

11 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Work in progress £'000	Total £'000
Cost:				
At 1 January 2012	1,535	6,196	460	8,191
Additions	42	767	395	1,204
Transfers	498	284	(782)	-
Exchange differences	(143)	(588)	(29)	(760)
Disposals	(3)	(223)	-	(226)
At 31 December 2012	1,929	6,436	44	8,409
Additions	21	739	175	935
Transfers	147	13	(160)	-
Exchange differences	(76)	(162)	(1)	(239)
Disposals	-	(274)	-	(274)
At 31 December 2013	2,021	6,752	58	8,831
Accumulated depreciation:				
At 1 January 2012	194	3,638	-	3,832
Charge for year	47	598	-	645
Transfers	-	-	-	-
Exchange differences	(16)	(343)	-	(359)
Eliminated on disposals	(1)	(221)	-	(222)
At 31 December 2012	224	3,672	-	3,896
Charge for year	53	716	-	769
Transfers	4	(4)	-	-
Exchange differences	(17)	(129)	-	(146)
Eliminated on disposals	-	(257)	-	(257)
At 31 December 2013	264	3,998	-	4,262
Carrying amount:				
Beginning of year	1,705	2,764	44	4,513
End of year	1,757	2,754	58	4,569

At the balance sheet date, the group had entered into contracted capital commitments for the acquisition of property, plant and equipment amounting to £164,000 (2012: £95,000).

12 Prepaid amounts

	2013 £'000	*2012 £'000*
Operating lease rentals		
Beginning of year	1,470	*1,597*
Additions	-	-
Disposals	-	-
Amortisation	(19)	*(19)*
Exchange differences	(30)	*(108)*
End of year	1,421	*1,470*
Coal development		
Beginning of year	815	*712*
Additions	-	*175*
Amortisation	-	-
Exchange differences	(181)	*(72)*
End of year	634	*815*

Coal development represents the cost of the acquisition of rights to extract coal from coal concessions in East Kalimantan against payment of agreed royalties together with subsequent expenditure on the development of the concessions.

13 Investments

	2013 £'000	*2012 £'000*
Available for sale investments carried at fair value:		
Listed equity investments at market value	1,824	*1,803*
Unlisted equity investments at market value	-	*1*
Trading investments at fair value:		
Unquoted shares	64	*65*
	1,888	*1,869*

The available for sale investment comprises shares in Sipef NV which is incorporated in Belgium and listed on the Euronext Brussels Stock Exchange.

The fair value and market value of the listed equity investments are the same. Movements in fair value are booked to investment revaluation reserve.

The unquoted shares are held at cost which the directors consider to be the fair value of these investments.

14 Inventories

	2013 £'000	*2012 £'000*
Agricultural (sisal)	1,652	*1,816*
Engineering and stores	1,448	*1,479*
	3,100	*3,295*

15 Trade and other receivables

	2013	2012
	£'000	*£'000*
Trade - due from sale of goods (including related parties £1,370,000; 2012: £1,094,000)	1,493	*1,383*
Prepayments and accrued income	624	*545*
Taxation	34	*166*
Deposits and other receivables	996	*1,204*
Related parties	-	-
	3,147	*3,298*

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The average credit period is 28 days (2012: 26 days).

Trade related party balances are receivable from Wigglesworth & Co. Limited.

16 Borrowings

	2013	2012
	£'000	*£'000*
Bank loans	408	*640*
Bank overdrafts	-	*439*
	408	*1,079*
The borrowings are repayable as follows:		
Within one year	207	*732*
In the second year	189	*192*
In the third to fifth years inclusive	12	*155*
	408	*1,079*
Less: Amount due for settlement within twelve months (shown under current liabilities)	(207)	*(732)*
Amount due for settlement after twelve months	201	*347*
Net cash and cash equivalents for the purposes of cash flow comprises:		
Cash and cash equivalents	4,273	*314*
Bank overdrafts	-	*(439)*
	4,273	*(125)*

The bank loans (2012: bank loans and overdrafts) are secured by first legal charges and debentures over certain of the group's immovable properties and other assets. The carrying value at the end of the year of the assets subject to such charges was £16,033,000 (2012: £13,537,000).

Analysis of borrowings by currency:

	Kenyan shs	Tanzanian shs	US dollars
<u>At 31 December 2013</u>	£'000	£'000	£'000
Bank loans	-	-	408
Bank overdrafts	-	-	-
	-	-	408

16 Borrowings continued

	Kenyan shs	Tanzanian shs	US dollars
At 31 December 2012	£'000	£'000	£'000
Bank loans	144	-	496
Bank overdrafts	160	185	94
	304	185	590

The weighted average interest rates paid were as follows:

	Kenyan shs	Tanzanian shs	US dollars
At 31 December 2013			
Bank loans	-	-	6.0%
Bank overdrafts	-	-	-
At 31 December 2012			
Bank loans	18.7%	-	6.0%
Bank overdrafts	19.0%	13.5%	7.3%

The directors estimate that the fair value of the group's borrowings approximates their carrying value. At the balance sheet date, the group had undrawn bank facilities of £2,040,000 (2012: £1,512,000).

17 Financial instruments

The group manages as capital its debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to shareholders of the parent, comprising issued ordinary and preference share capital, reserves and retained earnings as disclosed in notes 21 to 25. The group is not subject to externally imposed capital requirements.

Net debt to equity ratio

Net debt, equity and the net debt to equity ratio at the balance sheet date were a follows:

	2013	*2012*
	£'000	*£'000*
Total debt	408	*1,079*
Cash and cash equivalents	(4,273)	*(314)*
Net debt	(3,865)	*765*
Equity (including minority interests)	17,354	*14,995*
Net debt to equity ratio	-	*5%*

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 2013 comprised loans and receivables, available for sale investments and cash and cash equivalents amounting to £8,586,000 (2012: £4,913,000).

17 Financial instruments continued

Non-derivative financial liabilities as at 31 December 2013 comprised liabilities at fair value amounting to £3,908,000 (2012: £2,119,000).

No derivative financial instruments were held at 31 December 2013 (2012: £nil).

Financial risk management objectives

The group manages the financial risks relating to its operations through internal reports which permit the degree and magnitude of such risks to be assessed. These risks include market risk, credit risk and liquidity risk. The board seeks to reduce risk by setting policies on such risks including policies on the use of non-derivative financial instruments and the investment of excess liquidity. Compliance with policies is reviewed on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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.

The group regards the currencies of the countries in which its operations are located as the functional currencies of those operations. The group's revenues arise mainly in US dollars. The group seeks to ensure that its borrowings are either in the funtional currencies of the operations that they finance or in US dollars. The group does not normally hedge its non functional currency borrowings, its revenues or the minority of costs that arise in non functional currencies.

The table below details the positive / (negative) impact, on the basis of the group's financial position at the balance sheet date, that a 5 per cent depreciation of each of the currencies shown against sterling would have had on group profit before taxation and on equity. A 5 per cent appreciation of the applicable currencies would have had a reverse effect to that shown.

	2013	*2012*
	£'000	*£'000*
Profit before tax:		
Indonesian rupiah	4	*1*
Kenyan shillings	(56)	*7*
Tanzanian shillings	(3)	*7*
US dollars	-	*28*
Equity:		
Indonesian rupiah	(39)	*(49)*
Kenyan shillings	(159)	*(129)*
Tanzanian shillings	(94)	*(92)*
US dollars	(27)	*(13)*

The group is exposed to interest rate risk in respect of its borrowings at floating rates of interest. A 1 per cent increase in interest applied to those finacial instruments in the table of financial instruments shown under 'Fair value of financial instruments' below that carry interest at floating rates would have resulted over a period of one year in a reduction in pofit before taxation for the year ended 31 December 2013 of £4,000 (2012: £11,000).

17 **Financial instruments** continued

Credit risk

Credit risk is the risk that a counter-party will default on its contractual obligations resulting in a loss to the group.

The majority of sales were made to a related company, Wigglesworth & Co. Limited. The normal credit period for sales to Wigglesworth & Co. Limited is thirty days from the date of shipment. Other customers are assessed for credit worthiness on an individual basis. Customers who are unable to meet the criteria for creditworthiness are supplied on a prepayment basis.

The maximum credit risk exposure in respect of each of the group's financial assets at each balance sheet date equals the amount reported under the corresponding balance sheet heading. Included in trade receivables at 31 December 2013 are receivables totalling £25,000 (2012: £4,000) which are past due at the reporting date and for which no provision for impairment has been made as there has been no change in the credit quality and past experience indicates that payment will be received (2012: £nil provision).

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors of the company which has established an appropriate framework for the management of the group's short, medium and long-term funding and liquidity requirements. The group manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows and keeping an appropriate balance within the financial profiles of financial assets and liabilities. Undrawn facilities available to the group at balance sheet date are disclosed in note 16.

Details of non-derivative finacial instruments

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.

	Weighted average interest rate	Under 1 year £'000	Between 1 and 2 years £'000	Over 2 years £'000	Totals £'000
2013					
Bank loans:					
Kenyan shillings	-	-	-	-	-
US dollars	6.0%	68	212	181	461
Bank overdrafts:					
Kenyan shillings	-	-	-	-	-
Tanzanian shillings	-	-	-	-	-
US dollars	-	-	-	-	-
Trade and other payables		3,500	-	-	3,500
		3,568	212	181	3,961

17 Financial instruments continued

	Weighted average interest rate	Under 1 year £'000	Between 1 and 2 years £'000	Over 2 years £'000	Totals £'000
2012					
Bank loans:					
Kenyan shillings	18.7%	171	-	-	171
Bank overdrafts:					
Kenyan shillings	19.0%	191	-	-	191
Tanzanian shillings	13.5%	210	-	-	210
US dollars	7.3%	100	-	-	100
Trade and other payables		746	216	184	1,147
		1,418	216	184	1,819

At 31 December 2013, the group's non-derivative financial assets (other than receivables) comprised cash and deposits of £4,273,000 (2012: £314,000) most of which were in 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. All financial instruments are classified as level 1 in the fair value hierarchy prescribed by IFRS7 "Financial instruments: disclosures". No reclassifications between levels in the fair value hierarchy were made during 2013 (2012: none).

	2013 Book value £'000	2013 Fair value £'000	*2012 Book value £'000*	*2012 Fair value £'000*
Available for sale investments	1,824	1,824	*1,804*	*1,804*
Cash and deposits *	4,273	4,273	*314*	*314*
Debt - within one year *	(207)	(207)	*(732)*	*(732)*
Debt - after more than one year *	(201)	(201)	*(347)*	*(347)*
Net amount	5,689	5,689	*1,039*	*1,039*

* 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 is determined by reference to their quoted prices on the stock exchange on which the investments are listed. A 5 per cent increase in the sterling equivalent of the market value of these investments would increase revaluation reserves by £91,000 (2012: £90,000).

18 Deferred tax

	2013 £'000	*2012 £'000*
Deferred tax liabilities	(2,512)	*(2,057)*
Deferred tax assets	29	*14*
Net position	(2,483)	*(2,043)*

18 Deferred tax continued	Biological assets £'000	Accelerated depreciation £'000	Provisions £'000	Tax losses £'000	Acquisition of subsidiary £'000	Chargeable gain £'000	Total £'000
At 1 January 2012	(1,369)	(533)	350	116	(58)	(391)	(1,885)
(Charge)/credit to income	(195)	(108)	(2)	(113)	-	-	(418)
Credit to equity in year	-	-	-	-	-	8	8
Rate change - income *	-	-	-	-	-	-	-
Rate change - equity *	-	-	-	-	-	56	56
Exchange differences	158	63	(26)	(2)	3	-	196
At 31 December 2012	(1,406)	(578)	322	1	(55)	(327)	(2,043)
(Charge)/credit to income	(507)	(155)	122	5	-	-	(535)
(Charge) to equity in year	-	-	-	-	-	6	6
Rate change - income *	-	-	-	-	-	-	-
Rate change - equity *	-	-	-	-	-	20	20
Exchange differences	60	22	(14)	-	1	-	69
At 31 December 2013	(1,853)	(711)	430	6	(54)	(301)	(2,483)

* Impact of progressive reductions in UK corporation tax rate.

Tax losses of £1,798,000 (2012: £1,916,000) are being carried forward of which £1,775,000 (2012: £1,915,000) have not been recognised in the financial statements, because, in the opinion of the directors, it is not certain that sufficient taxable profits will be generated in the foreseeable future against which the losses may be utilised.

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 £730,000 (2012: £592,000). 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.

19 Provisions

	2013 £'000	*2012 £'000*
Provisions	974	*776*

Provisions relate to staff retirement benefits. The staff retirement benefits comprise benefits payable under a defined benefit pension scheme as detailed in note 27 and provisions for staff retirement gratuities. The latter are awarded to unionised employees in East Africa and to staff in Indonesia after completion of a qualifying period of servce and are payable upon termination of employment or retirement. The movements on provisions were as follows:

	Staff retirement benefit £'000
2013	
Beginning of year	772
Charged to income statement	290
Utilised during the year	(72)
Translation adjustment	(16)
End of year	974
2012	
Beginning of year	711
Charged to income statement	184
Utilised during the year	(71)
Translation adjustment	(48)
End of year	776

20 Trade and other payables

	2013 £'000	*2012 £'000*
Trade purchases and ongoing costs (including related parties £65,000 2012: £60,000)	474	*607*
Accruals	530	*434*
Other payables (including related parties £2,935,000; 2012: £265,000)	3,026	*433*
	4,030	*1,474*

The average credit period taken on trade payables is 19 days (2012: 24 days). The directors estimate that the fair value of the other loans and payables approximates their carrying value.

Trade related party balances comprise £65,000 due to Wigglesworth & Co. Limited (2012: £60,000). Other related party payables comprise £785,000 payable on demand to Emba Holdings Limited (2012: £265,000), £750,000 payable on demand to Willington Limited and £1,400,000 payable on demand to Richard and Jeremy Robinow. See note 28.

21 Share capital

	2013 £'000	*2012 £'000*
Authorised:		
4,000,000 (2012: 4,000,000) Ordinary shares of £1 each	4,000	*4,000*
600,000 (2012: nil) 10% Irredeemable preference shares of £1 each	600	*600*
	4,600	*4,600*
Issued, called up and fully paid:		
3,602,000 (2012: 3,602,000) Ordinary shares of £1 each	3,602	*3,602*
600,000 (2012: 600,000) 10% Irredeemable preference shares of £1 each	600	*600*
	4,202	*4,202*

600,000 10% irredeemable preference shares of £1 each were issued during 2012 by way of capitalisation of £600,000 of share premium account. The rights attaching to these shares are summarised in note (iv) to the company's individual financial statements.

22 Share premium

	2013 £'000	*2012 £'000*
Beginning of year	15	*615*
Capitalisation issue (see note 21)	-	*(600)*
End of year	15	*15*

23 Investment revaluaation reserve

	2013 £'000	*2012 £'000*
Beginning of year	1,151	*1,151*
Movement on revaluation of investments (net of deferred tax)	47	-
End of year	1,198	*1,151*

24 Translation reserve

	2013 £'000	*2012 £'000*
Beginning of year	(909)	*(332)*
Exchange differences arising on translation of overseas operations	140	*(577)*
End of year	(769)	*(909)*

25 Retained earnings

	2013 £'000	*2012 £'000*
Beginning of year	5,251	*4,170*
Profit for the year	892	*1,081*
Remeasurement of net defined benefit scheme asset	156	-
End of year	6,298	*5,251*

26 Non-controlling interests

	2013	*2012*
	£'000	*£'000*
Beginning of year	5,285	*4,736*
Share of profit for the year	1,409	*1,249*
Share of remeasurement of net defined benefit scheme asset	117	-
Dividends paid to minority shareholders in subsidiaries	(198)	*(203)*
Exchange translation differences	(203)	*(497)*
End of year	6,410	*5,285*

27 Defined benefit scheme

A subsidiary company operates a defined benefit pension scheme for certain employees. The scheme was closed to new entrants in 2008. 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.

The principal risks to the scheme are the risks that future changes in salary may differ from the rate of salary escalation assumed and that pre-retirement exit experience and actual ages of retirement and mortality may differ from the experience and ages assumed. Any such differences would impact the benefits payable under the scheme and may result in additional funding requirements.

	2013	*2012*
The principal actuarial assumptions used in determining the amounts reflected in the financial statements are:		
Discount rate	13%	*12%*
Expected rate of return on scheme assets	NA	*10%*
Future salary increases	10%	*10%*
Future pension increases	0%	*0%*
The amounts recognised in income in respect of the defined benefit scheme are as follows:	£'000	*£'000*
Current service cost net of employer contributions	24	*27*
Interest on obligation	112	*83*
Expected return on scheme assets	(117)	*(92)*
Net actuarial (gain) / loss recognised in the year	-	-
	19	*19*
Contributions paid	(46)	*(43)*
	(27)	(24)
The amount included in the balance sheet is determined as follows:		
Present value of defined benefit obligations	1,012	*934*
Fair value of scheme assets	(1,429)	*(1,170)*
Net overfunding in scheme	(417)	*(236)*
Past service costs not yet recognised in the balance sheet	1	*103*
Unrecognised actuarial (gain) / loss	(416)	*(133)*

27 Defined benefit scheme continued

A 1 per cent reduction in the discount rate applied would have increased the present value of the defined benefit obligations at 31 December 2013 to £1,057,000. The sensitivity to salary escalation would be broadly similar. The wieghted average duration of the liablity at the same date was 4.4 years.

The group contributes to a defined benefit scheme for certain non-unionised employees. The contribution to this scheme during the year amounted to £13,000 (2012: £11,000) which has been charged against income.

28 Related party transactions

	2013	*2012*
	£'000	*£'000*
Sales of sisal fibres and yarns to Wiggleworth & Co., Limited	14,738	*15,014*
Current borrowings and payables due to Wigglesworth & Co., Limited	65	*60*
Current trade receivables from Wigglesworth & Co. Limited	1,370	*1,244*
Payable to Willington Limited	750	-
Payable to Emba Holdings Limited	785	*265*
Payable to Richard and Jeremy Robinow	1,400	-

Current trade receivables relate to sales of goods and services and are unsecured. No guarantees have been given or received.

The entire issued share capital of the company is beneficially owned by Richard and Jeremy Robinow (as to a half interest each). Emba Holdings Limited, Wigglesworth & Co. Limited and Willington Limited are related parties by reason of their ownership or ultimate ownership by Richard and Jeremy Robinow together, in the case of Emba Holdings Limited, with members of their immediate families.

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Such transactions are dealt with in the notes to the company's individual financial statements.

29 Operating lease commitments

	2013	*2012*
	£'000	*£'000*
Future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	32	*41*
Between two and five years	25	*51*
Over five years	-	-
	58	*92*

Operating lease payments for the year amounted to £108,000 (2012: £115,000).

R.E.A. TRADING LIMITED
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013 £'000	*2012 £'000*
Fixed assets			
Investments	(i)	3,034	*3,035*
		3,034	*3,035*
Current assets			
Debtors	(ii)	2,902	*2,586*
Bank balances and cash		2,630	*21*
		5,532	*2,607*
Creditors falling due within one year	(iii)	(3,004)	*(336)*
Net current assets		2,528	*2,271*
Net assets		5,562	*5,306*
Capital and reserves			
Called up share capital	(iv)	4,202	*4,202*
Share premium	(v)	15	*15*
Profit and loss account	(v)	1,345	*1,089*
Total shareholders' funds		5,562	*5,306*

The financial statements of R.E.A. Trading Limited, registered number 88367, were approved and authorised by the Board on 14 July 2014.

R M ROBINOW
Director

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

ACCOUNTING POLICIES (COMPANY)

Accounting convention

Separate financial statements of R.E.A. Trading Limited (the "company") are required by the Companies Act 2006; 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 and are unchanged from the previous year.

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

By virtue of section 408 of the Companies Act 2006, 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 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.

(i) Investments

	2013	2012
	£'000	*£'000*
Shares in subsidiary companies (including listed £2,416,000, 2012: £2,416,000)	2,707	*2,707*
Other listed investments	327	*327*
Unlisted investments	-	*1*
	3,034	*3,035*

The movements during the year were:	£'000	*£'000*
At 1 January 2013	3,035	*3,038*
Winding up of subsidiary	-	*(3)*
Disposal of unlisted investments	(1)	-
At 31 December 2013	3,034	*3,035*

At 31 December 2013, the market value of the listed investments was £8,409,000 (2012: £6,449,000).

Subsidiaries
The principal subsidiaries at the year end are listed below.

Amboni Plantations Limited (incorporated in Tanzania)	Plantations	57 per cent
Amboni Spinning Mill Limited (incorporated in Tanzania)	Sisal spinning	57 per cent
Dwa Estate Limited (incorporated in Kenya)	Plantations	57 per cent
PT Robindo Natayara (incorporated in Indonesia)	Coal merchanting	95 per cent
REA Vipingo Plantations Limited (incorporated in Kenya)	Plantations	57 per cent
Vipingo Estate Limited	Property	57 per cent
Wigglesworth Exporters Limited (incorporated in Kenya)	Sisal forwarders	57 per cent

The shareholdings in PT Robindo Natayara and REA Vipingo Plantations Limited are held directly by the company. All other shareholdings are held by subsidiaries.

(ii) Debtors

	2013	2012
	£'000	*£'000*
Group companies	2,757	*2,740*
Other debtors	145	*116*
	2,902	*2,586*

(iii) Creditors falling due within one year

	2013	*2012*
	£'000	*£'000*
Associated party creditors	2,935	*265*
Corporation tax	-	*2*
Accruals	69	*69*
	3,004	*336*

Associated party creditors comprise a balance of £785,000 (2012: £265,000) owed to Emba Holdings Limited (a company owned by Richard Robinow and Jeremy Robinow and their families), £750,000 (2012: £nil) owed to Willington Limited (a company owned by Richard Robinow and Jeremy Robinow) and £1,400,000 (2012: £nil)) owed to Richard Robinow and Jeremy Robinow, as to £700,000 each.

(iv) Called up share capital

	2013	*2012*
	£'000	*£'000*
Authorised:		
4,000,000 (2012: 4,000,000) Ordinary shares of £1 each	4,000	*4,000*
600,000 (2012: 600,000) 10% Irredeemable preference shares of £1 each	600	*600*
	4,600	*4,600*
Issued, called up and fully paid:		
3,602,000 (2012: 3,602,000) Ordinary shares of £1 each	3,602	*3,602*
600,000 (2012: 600,000) 10% Irredeemable preference shares of £1 each	600	*600*
	4,202	*4,202*

The 10 per cent irredeemable preference shares entitle the holders thereof to a fixed cumulative annual dividend of 10 per cent to be paid out of the profits of the company resolved by the directors to be distributed, such dividend to be paid in priority to any dividend on the ordinary shares. On a winding up or other return of capital, the 10 per cent irredeemable preference shares shares will be entitled to repayment of the amount paid up on such shares together with any arrears of fixed dividend, such amounts to be paid ahead of any return fo capital on the ordinary shares.

(v) Movement in reserves

	Share premium	Profit and loss account
	£'000	£'000
Beginning of year 1 January 2013	15	1,089
Retained profit for the year	-	256
End of year 31 December 2013	15	1,345

As permitted by section 408 of the Companies Act 2006, 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 £256,000 (2012: £333,000).

(vi) Directors' emlouments

	2013	*2012*
	£'000	*£'000*
Salaries	72	52
Social security costs	9	5
Bonus	12	-
	93	57
Emoluments of highest paid director	48	26

(vii) Related party transactions

	2013	*2012*
	£'000	*£'000*
Income:		
Fees from REA Vipingo Plantations Limited	26	*25*
Fees from associated parties	310	*269*
Dividends received from REA Vipingo Plantations Limited	282	*279*
Interest received from PT Robindo Natayara	128	*110*
Closing balances:		
Due from PT Robindo Natayara	2,741	*2,470*
Due to associated parties	(2,935)	*(265)*

REA Vipingo Plantations Limited and PT Robindo Natayara are subsidiaries of the company. Fees from associated parties represent fees for administrative services received from Willington Limited and Wigglesworth & Co. Limited. Wigglesworth & Co. Limited is a wholly owned subsidiary of Willington Limited which is owned by Richard Robinow and Jeremy Robinow, as to a half interest each. Further details regarding balances due to associated parties are given in note (iii).

Directors emoluments are detailed in note (vi).

(viii) Controlling party

The company is owned by Richard Robinow and Jeremy Robinow, as to a half interest each.

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