# R.E.A. TRADING LIMITED

## ANNUAL REPORT

## 31 DECEMBER 2014



The company's registered number is 88367

## R.E.A. TRADING LIMITED
## STRATEGIC REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2014

**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 2014 was 14,710 hectares (2013: 15,160 hectares).

The volume of sisal fibre produced at 19,171 tonnes was almost identical with the production for the previous year (19,168 tonnes). Production in Kenya was in line with expectations but operational difficulties in Tanzania (largely as a result of labour availability) meant that the Tanzanian estates again produced at below their potential production level.

Activity at the Tanga spinning mill was much in line with that of the previous year but increased sales prices were more than offset by increased costs. Overall production of spun products and ropes was 2,400 tonnes (2013 - 2,448 tonnes). The bulk of the production was sold into local and regional markets although it was a better year for international sales.

The group's horticultural project, despite a slow start to the year, produced a return in line with expectations.

In sterling terms, sisal prices were slightly lower than in 2013 resulting in sales of £18,750,000 against £19,284,000 in the preceding year.

The year saw a significant fall in international coal prices. This unfortunately rendered uneconomic the continued mining of the Indonesian concessions in which the company's 95 per cent owned Indonesian subsidiary, PT Robindo Natayara ("Robindo"), holds interests. All mining operations were therefore suspended. The concessions are being maintained and mining will be resumed as soon as resumption becomes economic. As a result of the suspension, revenue from the coal operations amounted to only £127,000 against £229,000 in 2013. No adjustment to the carrying values of the investment in coal development was considered necessary.

Operating profit for the year amounted to £3,424,000 (against £3,875,000 for 2013) and profit before tax to £3,654,000 (against £3,873,000). The year on year movement would have shown an improvement were it not for a significant negative movement on the revaluation of biological assets (reflecting the changing maturity profile of the sisal estates).

At 31 December 2014, shareholder funds amounted to £12.2 million against £10.9 million at 31 December 2013. Net indebtedness was £nil (2013 - £nil).

# R.E.A. TRADING LIMITED
## STRATEGIC REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2014

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 ("RVP"), the subsidiary of the company that is the holding company of the group's sisal operations. Two counter-offers were subsequently made but one of these was then excluded by the Kenyan regulatory authorities. In March 2015, agreement was reached with the other counter-offeror as a result of which its counter-offer was withdrawn and, subject to satisfaction of certain conditions, the counter-offeror will acquire from RVP certain assets for a consideration of some $23 million. This permitted the company's offer for RVP to proceed resulting in an increase in the company's ownership of RVP to 95 per cent leaving a 5 per cent minority interest outstanding.

**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 umitigated risks 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.

Agricultural activities

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 as further detailed in note 16 to the consolidated financial accounts.

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 9 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.

S.J. Robinson

First Floor
32-36 Great Portland Street
London W1W 8QX
31 July 2015

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

**R.E.A. TRADING LIMITED**
**DIRECTORS' REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their report for the year ended 31 December 2014.

## Dividends

Holders of the preference shares waived their entitlements to dividends in respect of 2014. No ordinary dividend was paid in respect of the year (2013: £nil). No final dividend is proposed (2013: £nil).

## 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.

First Floor
32-36 Great Portland Street
London W1W 8QX
31 July 2015

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

**R.E.A. TRADING LIMITED**
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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
31 July 2015

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.E.A. TRADING LIMITED**

We have audited the financial statements of R.E.A. Trading Limited for the year ended 31/12/2014 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 31/12/2014 and of the group's profit and the parent company's loss for the year then ended;

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.E.A. TRADING LIMITED FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

**Opinion on financial statements** continued

- 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
31 July 2015

**R.E.A.TRADING LIMITED**
**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Notes | 2014<br>£'000 | *2013*<br>*£'000* |
|---|---|---|---|
| **Revenue** | 3 | 19,112 | *19,620* |
| Cost of sales | | (9,003) | *(9,312)* |
| **Gross profit** | | 10,109 | *10,308* |
| Net change in fair value of biological assets | 9 | (861) | *313* |
| Other operating income | | 115 | *20* |
| Distribution costs | | (648) | *(702)* |
| Administrative expenses | | (5,274) | *(6,038)* |
| Other operating expenses | | (27) | *(26)* |
| **Operating profit** | 5 | 3,415 | *3,875* |
| Investment revenue | | 383 | *210* |
| Finance costs | 7 | (152) | *(212)* |
| **Profit before tax** | | 3,646 | *3,873* |
| Tax | 8 | (1,321) | *(1,572)* |
| **Profit for the year** | | 2,325 | *2,301* |

| | | |
|---|---|---|
| Attributable to: | | |
| Equity holders of the parent | 1,307 | *892* |
| Non-controlling interests | 1,018 | *1,409* |
| | 2,325 | *2,301* |

## R.E.A.TRADING LIMITED
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2014

| | 2014 £'000 | *2013 £'000* |
|---|---|---|
| **Profit for the year** | 2,325 | *2,301* |
| **Other comprehensive income/(loss)** | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | |
| Remeasurement of net defined benefit scheme asset | 186 | *273* |
| Deferred tax therreon | (135) | - |
| | 51 | 273 |
| **Items that may be reclassified subseuqently to profit and loss:** | | |
| Exchange differences on translation of foreign operations | 257 | *(64)* |
| Revaluation of available for sale investments | (418) | *21* |
| Deferred tax thereon | 83 | *26* |
| | (78) | *(17)* |
| **Total comprehensive income for the year** | 2,298 | *2,557* |
| Attributable to: | | |
| Equity holders of the parent | 1,174 | *1,234* |
| Non-controlling interests | 1,124 | *1,323* |
| | 2,298 | *2,557* |

**R.E.A.TRADING LIMITED**
**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014**

| | Notes | 2014 £'000 | *2013 £'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Biological assets | 9 | 6,742 | *6,178* |
| Property, plant and equipment | 10 | 4,761 | *4,569* |
| Prepaid operating lease rentals | 11 | 1,419 | *1,421* |
| Coal development | 11 | 661 | *634* |
| Investments | 12 | 1,471 | *1,888* |
| Defined benefit scheme | 26 | 695 | *417* |
| Deferred tax assets | 17 | 35 | *29* |
| | | 15,784 | *15,136* |
| **Current assets** | | | |
| Inventories | 13 | 3,498 | *3,100* |
| Trade and other receivables | 14 | 4,717 | *3,147* |
| Cash and cash equivalents | 15 | 8,711 | *4,273* |
| | | 16,926 | *10,520* |
| **Total assets** | | 32,710 | *25,656* |
| **Current liabilities** | | | |
| Trade and other payables | 19 | (8,643) | *(4,030)* |
| Current tax liabilities | | (150) | *(378)* |
| Borrowings | 15 | (210) | *(207)* |
| | | (9,003) | *(4,615)* |
| **Non-current liabilities** | | | |
| Borrowings | 15 | - | *(201)* |
| Deferred tax liabilities | 17 | (2,740) | *(2,512)* |
| Provisions | 18 | (1,202) | *(974)* |
| | | (3,942) | *(3,687)* |
| **Total liabilities** | | (12,945) | *(8,302)* |
| **Net assets** | | 19,765 | *17,354* |
| **Equity** | | | |
| Share capital | 20 | 4,202 | *4,202* |
| Share premium account | 21 | 15 | *15* |
| Investment revaluation reserve | 22 | 863 | *1,198* |
| Translation reserve | 23 | (596) | *(769)* |
| Retained earnings | 24 | 7,719 | *6,298* |
| | | 12,203 | *10,944* |
| Non-controlling interests | 25 | 7,562 | *6,410* |
| **Total equity** | | 19,765 | *17,354* |

The financial statements were approved and authorised for issue by the Board on 31 July 2015 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 2014**

| | Share Capital | Share premium | Investment revaluation reserve | Translation reserve | Retained earnings | Sub total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | *(note 20)* | *(note 21)* | *(note 22)* | *(note 23)* | *(note 24)* | | *(note 25)* | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2013 | 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 non controlling interests in subsidiary | - | - | - | - | - | - | (198) | (198) |
| At 31 December 2013 | 4,202 | 15 | 1,198 | (769) | 6,298 | 10,944 | 6,410 | 17,354 |
| Total comprehensive income | - | - | (335) | 173 | 1,336 | 1,174 | 1,124 | 2,298 |
| Share subscription by non controlling interests in subsidiary | - | - | - | - | 85 | 85 | 28 | 113 |
| At 31 December 2014 | 4,202 | 15 | 863 | (596) | 7,719 | 12,202 | 7,562 | 19,765 |

**R.E.A.TRADING LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| **Operating activities** | | |
| Operating profit | 3,415 | *3,875* |
| Depreciation of property, plant and equipment | 782 | *769* |
| Amortisation of prepaid operating lease rentals | 17 | *19* |
| Biological (gain) / loss | 861 | *(313)* |
| Gain on disposal of property, plant and equipment | (45) | *(73)* |
| Remeasurement of net defined benefit scheme asset | 51 | *273* |
| Operating cash flows before movements in working capital | 5,081 | *4,550* |
| (Increase) / Decrease in inventories | (360) | *127* |
| Increase in receivables | (1,434) | *(126)* |
| Increase / (decrease) in payables | 4,600 | *2,585* |
| Increase in defined benefit scheme asset | (138) | *(283)* |
| Increase in provisions | 227 | *203* |
| Exchange translation differences | (34) | *711* |
| Cash generated by operations | 7,942 | *7,767* |
| Taxes paid | (1,492) | *(553)* |
| Interest paid | (152) | *(212)* |
| **Net cash from operating activities** | 6,298 | *7,002* |
| | | |
| **Investing activities** | | |
| Investment revenues | 383 | *210* |
| Proceeds on disposal of property, plant and equipment | 57 | *90* |
| Purchases of property, plant and equipment | (905) | *(1,067)* |
| Expenditure on biological assets | (1,319) | *(1,398)* |
| Proceeds on disposal of prepaid operating lease rentals | - | - |
| Expenditure on coal development | 1 | - |
| Proceeds on disposal of investments | (8) | *(7)* |
| **Net cash used in investing activities** | (1,791) | *(2,172)* |
| | | |
| **Financing activities** | | |
| Dividends paid to non controlling interests | - | *(198)* |
| Share subscription by non controlling interests | 113 | |
| Net decrease in long term borrowings | (203) | *(139)* |
| Net decrease in short term borrowings | - | *(71)* |
| **Net cash used in financing activities** | (91) | *(408)* |
| | | |
| **Net cash and cash equivalents** | | |
| Net increase in cash and cash equivalents | 4,417 | *4,422* |
| Net cash and cash equivalents at beginning of year | 4,273 | *(125)* |
| Effect of foreign exchange rate changes | 21 | *(24)* |
| Net cash and cash equivalents at end of year (note 16) | 8,711 | *4,273* |
| | | |
| **Movement in net cash** | | |
| Change in cash / borrowings resulting from cash flows: | | |
| Increase in cash and cash equivalents | 4,417 | *4,422* |
| Decrease in borrowings | 203 | *210* |
| | 4,620 | 4,632 |
| Currency translation differences | 15 | *(2)* |
| Net cash at beginning of year | 3,865 | *(765)* |
| Net cash at end of year | 8,501 | *3,865* |

## 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 27 (amended): "Investment entities"
- IAS 32 (amended): "Offsetting financial assets and financial liabilities"
- IAS 36: "Impairment of Assets"
- IAS 36: "Novation of deriviatives and continuation of hedge accounting"
- IFRIC 21: "Levies"

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 16 and IAS 38 (amended): "Clarification of acceptable methods of depreciation and amortisation"
- IAS 16 and IAS 41 (amended): "Bearer plants"
- IAS 19 (amended): " Defined benefit plans: employee contributions"
- IAS 27 (amended): "Equity method in separate financial statements"
- IFRS 9: "Financial instruments"
- IFRS 10 and IAS 28 (amended): "Sale or contribution of assets between an investor and its associate or joint venture"
- IFRS 10, IFRS 12 and IAS 28 (amended): "Investment entitites: applying the consolidation exception"
- IFRS 11 (amended): "Accounting for acquisitions of interests in joint operations"
- IFRS 14: "Regulatory deferral accounts"
- IFRS 15: "Revenue from contracts with customers"
- Annual improvements to IFRSs (2010-12, 2011-13, 2012-14 cycles)

**Adoption of new and revised standards continued**
IAS 41 Agriculture currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. This is based on the principle that the biological transformation that these assets undergo during their lifespan is best reflected by fair value measurement. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods, including sisal plants. At the end of their productive lives they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates.

The IASB has decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, plant and equipment, because their operation is similar to that of manufacturing. Consequently, IAS 16 and IAS 41 (amended): Bearer plants bring bearer plants within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

The directors are considering the impact on the group's financial statements of these changes. On transition it is probable that the directors will adopt historic cost less accumulated depreciation as the initial carrying value under IAS 16. There will be a charge to consolidated income with depreciation replacing the net gain or loss arising from changes in the fair value of biological assets. The directors are studying the most appropriate method of computing such depreciation. These amendments to IAS 16 and IAS 41 have not been endorsed by the EU and will only become applicable once that endorsement has occurred, which is not expected until the second half of 2015

The directors do not otherwise 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 concerned. 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

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Sales of goods | 18,750 | *19,284* |
| Revenue from rendering of services | 362 | *336* |
| | 19,112 | *19,620* |
| Other operating income | 115 | *20* |
| Investment revenue | 383 | *210* |
| Total revenue | 19,611 | *19,850* |

The fair value, less point of sale costs, of sisal leaf harvested for the year was £7,145,000 (2013: £7,695,000).

## 4 Segment information

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Sales by geographical origin: | | |
| Africa | 18,623 | *19,055* |
| Indonesia | 127 | *229* |
| | 18,750 | *19,284* |

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 |
| 2014 | | | | | |
| Revenue: | | | | | |
| External | 16,725 | 2,953 | 127 | 362 | 20,167 |
| Inter-segment sales | (1,033) | (22) | - | - | (1,055) |
| Total revenue | 15,692 | 2,931 | 127 | 362 | 19,112 |
| Operating profit | 3,276 | 294 | (416) | 261 | 3,415 |
| Investment revenue | | | | | 383 |
| Other gains and losses | | | | | - |
| Finance costs | | | | | (152) |
| Profit before tax | | | | | 3,646 |
| Tax | | | | | (1,321) |
| Profit for the year | | | | | 2,326 |
| Depreciation and amortisation | 743 | 27 | 29 | - | 799 |
| Capital additions | 917 | 3 | 46 | - | 965 |
| Additions to biological assets | 1,395 | | | | 1,395 |
| Total assets | 21,495 | 1,193 | 1,284 | 8,739 | 32,710 |

## 4 Segment information continued

| | Agriculture £'000 | Spinning and services £'000 | Coal £'000 | Head office £'000 | Total £'000 |
|---|---|---|---|---|---|
| 2013 | | | | | |
| Revenue: | | | | | |
| External sales | 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 |

## 5 Operating profit

| | 2014 £'000 | *2013 £'000* |
|---|---|---|
| Operating profit has been arrived at after charging/(crediting): | | |
| Net foreign exchange (gains) / losses | (209) | *813* |
| Depreciation of property, plant and equipment | 782 | *769* |
| Amortisation of prepaid operating lease rentals | 17 | *19* |
| Cost of inventories recognised as an expense | 398 | *(196)* |
| Gain on disposal of property, plant and equipment | (45) | *(73)* |
| Staff costs (see note 7) | 6,452 | *6,095* |
| Auditor's remuneration for statutory audit services for the company | 13 | *11* |
| Amounts paid to Deloitte LLP for the audit of the accounts of subsidiaries of the company pursuant to legislation | 57 | *62* |
| Amounts paid to Deloitte LLP for other services to the group in respect of taxation compliance and advice | 41 | *39* |

## 6 Staff costs

| | 2014 Number | *2013 Number* |
|---|---|---|
| The average number of persons employed was: | | |
| East Africa | 3,652 | *3,625* |
| Indonesia | 10 | *10* |
| | 3,662 | *3,635* |

| | £'000 | *£'000* |
|---|---|---|
| Their aggregate remuneration comprised: | | |
| Wages and salaries | 5,961 | *5,549* |
| Social security costs | 264 | *264* |
| Pension costs | (6) | *41* |
| | 6,219 | *5,855* |

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

## 7 Finance costs

| | 2014 £'000 | *2013 £'000* |
|---|---|---|
| Interest on bank loans and overdrafts and on leases | 152 | *212* |

## 8 Tax

| | 2014 £'000 | *2013 £'000* |
|---|---|---|
| Current tax: | | |
| United Kingdom tax (net of double taxation relief of £nil; 2013: £48,000). | 36 | *(2)* |
| Foreign tax | 1,137 | *1,040* |
| Total current tax | 1,173 | *1,038* |
| Deferred tax: | | |
| Current year | 148 | *534* |
| Total deferred tax | 148 | *534* |
| Total tax | 1,321 | *1,572* |

8 **Tax** continued

Taxation is provided at the rates prevailing for the relevant jurisdiction, which for the United Kingdom is 21.5 per cent, East Africa 30 per cent and Indonesia 25 per cent (2013: respectively 23.25 per cent, 30 per cent and 25 per cent).

| | 2014 £'000 | *2013 £'000* |
|---|---|---|
| The charge for the year can be reconciled to the profit per the income statement as follows: | | |
| Profit before tax | 3,646 | *3,873* |
| Tax at the standard rate of 21.5% (2013: 22.25%) thereon | 822 | *900* |
| Tax effect of the following items: | | |
| Foreign tax charged at other rates | 296 | *307* |
| Income not subject to tax | (520) | *(35)* |
| Tax on deemed income | - | *1* |
| Expenses that are not deductible in determining taxable profit | 627 | *110* |
| Overseas tax expensed | 115 | *54* |
| Losses utilised | - | *10* |
| Net underprovision of tax in prior years | (12) | *(2)* |
| Deferred tax asset recognised | 101 | *227* |
| Deferred tax on allowable loss | - | *-* |
| Tax expense for the year | 1,429 | *1,572* |

9 **Biological assets**

| | 2014 £'000 | *2013 £'000* |
|---|---|---|
| Carrying amount at beginning of year | 6,178 | *4,688* |
| Additions to planted area | 1,395 | *1,301* |
| Net biological gain/(loss) | (861) | *313* |
| Exchange differences | 30 | *(124)* |
| Carrying amount at end of year | 6,742 | *6,178* |
| Net biological (loss)/gain comprises: | | |
| Loss arising from changes in fair value attributable to physical changes | (1,030) | *(1,554)* |
| Gain arising from changes in fair value attributable to price changes | 170 | *1,867* |
| | (861) | *313* |

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% (2013 - discount rate of 17.5%);
- cost of production and point of sale cost based on latest approved budgeted costs; and
- assumed annual inflation of 9% for Kenya and 10% for Tanzania (2013 both countries - 11%);
- 42% of fair value is attributable to the regeneration of sisal leaf.

## 10 Property, plant and equipment

| | Land and buildings £'000 | Plant and machinery £'000 | Work in progress £'000 | Total £'000 |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 January 2013 | 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 |
| Additions | 84 | 651 | 230 | 965 |
| Transfers | 152 | 43 | (195) | - |
| Exchange differences | 24 | 56 | 1 | 81 |
| Disposals | - | (236) | - | (236) |
| At 31 December 2014 | 2,281 | 7,266 | 94 | 9,641 |
| Accumulated depreciation: | | | | |
| At 1 January 2013 | 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 |
| Charge for year | 59 | 723 | - | 782 |
| Transfers | - | - | - | - |
| Exchange differences | 5 | 55 | - | 60 |
| Eliminated on disposals | - | (224) | - | (224) |
| At 31 December 2014 | 328 | 4,552 | - | 4,880 |
| Carrying amount: | | | | |
| Beginning of year | 1,757 | 2,754 | 58 | 4,569 |
| End of year | 1,953 | 2,714 | 94 | 4,761 |

At the balance sheet date, the group had entered into contracted capital commitments for the acquisition of property, plant and equipment amounting to £194,000 (2013: £164,000).

## 11 Prepaid amounts

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Operating lease rentals | | |
| Beginning of year | 1,421 | *1,470* |
| Additions | - | - |
| Disposals | - | - |
| Amortisation | (17) | *(19)* |
| Exchange differences | 15 | *(30)* |
| End of year | 1,419 | *1,421* |
| | | |
| Coal development | | |
| Beginning of year | 634 | *815* |
| Additions | - | - |
| Amortisation | - | - |
| Exchange differences | 27 | *(181)* |
| End of year | 661 | *634* |

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.

## 12 Investments

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Available for sale investments carried at fair value: | | |
| Listed equity investments at market value | 1,406 | *1,824* |
| Unlisted equity investments at market value | - | - |
| Trading investments at fair value: | | |
| Unquoted shares | 65 | *64* |
| | 1,471 | *1,888* |

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.

## 13 Inventories

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Agricultural (sisal) | 2,103 | *1,652* |
| Engineering and stores | 1,395 | *1,448* |
| | 3,498 | *3,100* |

## 14 Trade and other receivables

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Trade - due from sale of goods (including related parties £2,111,000; 2013: £1,370,000) | 2,321 | *1,493* |
| Prepayments and accrued income | 666 | *624* |
| Taxation | 119 | *34* |
| Deposits and other receivables | 1,611 | *996* |
| Related parties | - | *-* |
| | 4,717 | *3,147* |

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The average credit period is 44 days (2013: 28 days).

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

## 15 Borrowings

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Bank loans | 210 | *408* |
| | 210 | *408* |
| The borrowings are repayable as follows: | | |
| Within one year | 210 | *207* |
| In the second year | - | *189* |
| In the third to fifth years inclusive | - | *12* |
| | 210 | *408* |
| Less: Amount due for settlement within twelve months (shown under current liabilities) | (210) | *(207)* |
| Amount due for settlement after twelve months | - | *201* |
| Net cash and cash equivalents for the purposes of cash flow comprises: | | |
| Cash and cash equivalents | 8,711 | *4,273* |
| | 8,711 | *4,273* |

The bank loans (2013: bank loans) 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 £18,611,000 (2013: £16,033,000).

Analysis of borrowings by currency:

| | US dollars |
|---|---|
| At 31 December 2014 | £'000 |
| Bank loans | 210 |
| Bank overdrafts | - |
| | 210 |

**15 Borrowings** continued

| | US dollars |
|---|---|
| | £'000 |
| At 31 December 2013 | |
| Bank loans | 408 |
| | 408 |

The weighted average interest rates paid were as follows:

| | US dollars |
|---|---|
| At 31 December 2014 | |
| Bank loans | 6.5% |
| At 31 December 2013 | |
| Bank loans | 6.0% |

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 £2,025,000 (2013: £2,040,000).

**16 Financial instruments**

The group manages as capital its debt, which includes the borrowings disclosed in note 15, 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 20 to 24. The group is not subject to externally imposed capital requirements.

Net debt to equity ratio

Net cash and equity at the balance sheet date were a follows:

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Total debt | 210 | *408* |
| Cash and cash equivalents | (8,711) | *(4,273)* |
| Net (cash) | (8,501) | *(3,865)* |
| Equity (including minority interests) | 19,765 | *17,354* |

No net debt to equity ratio is given as there was no debt at the balance sheet date.

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 2014 comprised loans and receivables, available for sale investments and cash and cash equivalents amounting to £14,049,000 (2013: £8,586,000).

## 16 Financial instruments continued

Non-derivative financial liabilities as at 31 December 2014 comprised liabilities at fair value amounting to £8,321,000 (2013: £3,908,000).

No derivative financial instruments were held at 31 December 2014 (2013: £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.

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Profit before tax: | | |
| Indonesian rupiah | 4 | *4* |
| Kenyan shillings | (66) | *(56)* |
| Tanzanian shillings | (6) | *(3)* |
| US dollars | 1 | *-* |
| | | |
| Equity: | | |
| Indonesian rupiah | (39) | *(39)* |
| Kenyan shillings | (185) | *(159)* |
| Tanzanian shillings | (107) | *(94)* |
| US dollars | (42) | *(27)* |

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 2014 of £2,000 (2013: £4,000).

**16 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 2014 are receivables totalling £107,000 (2013: £25,000) 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 (2013: £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 |
|---|---|---|---|---|---|
| 2014 | | | | | |
| Bank loans: | | | | | |
| Kenyan shillings | - | - | - | - | - |
| US dollars | 6.5% | 210 | - | - | 210 |
| Bank overdrafts: | | | | | |
| Kenyan shillings | - | - | - | - | - |
| Tanzanian shillings | - | - | - | - | - |
| US dollars | - | - | - | - | - |
| Trade and other payables | | 8,111 | - | - | 8,111 |
| | | 8,321 | - | - | 8,321 |

**16 Financial instruments** continued

| | 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 |

At 31 December 2014, the group's non-derivative financial assets (other than receivables) comprised cash and deposits of £8,711,000 (2013: £4,273,000) 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 2014 (2013: none).

| | 2014 Book value £'000 | 2014 Fair value £'000 | *2013 Book value £'000* | *2013 Fair value £'000* |
|---|---|---|---|---|
| Available for sale investments | 1,406 | 1,406 | *1,824* | *1,824* |
| Cash and deposits * | 8,711 | 8,711 | *4,273* | *4,273* |
| Debt - within one year * | (210) | (210) | *(207)* | *(207)* |
| Debt - after more than one year * | - | - | *(201)* | *(201)* |
| Net amount | 9,907 | 9,907 | *5,689* | *5,689* |

* 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 £70,000 (2013: £91,000).

**17 Deferred tax**

| | 2014 £'000 | *2013 £'000* |
|---|---|---|
| Deferred tax liabilities | (2,740) | *(2,512)* |
| Deferred tax assets | 35 | *29* |
| Net position | (2,705) | *(2,483)* |

| 17 **Deferred tax** continued | Biological assets £'000 | Accelerated depreciation £'000 | Provisions £'000 | Defined benefit scheme £'000 | Acquisition of subsidiary £'000 | Chargeable gain £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2013 | (1,406) | (577) | 362 | (40) | (55) | (327) | (2,043) |
| (Charge)/credit to income | (507) | (150) | 130 | (8) | - | - | (535) |
| Credit to equity in year | - | - | - | - | - | 6 | 6 |
| Rate change - equity * | - | - | - | - | - | 20 | 20 |
| Exchange differences | 60 | 22 | (16) | 2 | 1 | - | 69 |
| At 31 December 2013 | (1,853) | (705) | 476 | (46) | (54) | (301) | (2,483) |
| (Charge)/credit to income | (149) | (33) | 58 | (24) | - | - | (148) |
| (Charge) to equity in year | - | - | - | (135) | - | 83 | (52) |
| Exchange differences | (20) | (5) | 7 | (4) | - | - | (22) |
| At 31 December 2014 | (2,022) | (743) | 541 | (209) | (54) | (218) | (2,705) |

* Impact of progressive reductions in UK corporation tax rate.

Tax losses of £2,307,000 (2013: £1,798,000) are being carried forward of which £2,272,000 (2013: £1,775,000) 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 £899,000 (2013: £730,000). 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.

## 18 Provisions

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Provisions | 1,202 | *974* |

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 for staff retirement benefits were as follows:

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Beginning of year | 974 | *772* |
| Charged to income statement | 330 | *290* |
| Utilised during the year | (113) | *(72)* |
| Translation adjustment | 11 | *(16)* |
| End of year | 1,202 | *974* |

## 19 Trade and other payables

| | £'000 | *£'000* |
|---|---|---|
| Trade purchases and ongoing costs (including related parties £78,000 2013: £65,000) | 661 | *474* |
| Accruals | 532 | *530* |
| Other payables (including related parties £7,300,000; 2013: £2,935,000) | 7,450 | *3,026* |
| | 8,643 | *4,030* |

The average credit period taken on trade payables is 27 days (2013: 19 days). The directors estimate that the fair value of the other loans and payables approximates their carrying value.

Trade related party balances comprise £78,000 due to Wigglesworth & Co. Limited (2013: £65,000). Other related party payables comprise amounts payable on demand of £2,275,000 due to Emba Holdings Limited (2013: £785,000), £2,250,000 due to Willington Limited (2013: £750,000), £1,475,000 due to a client of Wigglesworth & Co. Limited (2013: £nil) and £1,300,000 due to Richard and Jeremy Robinow (2013: £1,400,000). See note 27.

**20 Share capital**

| | 2014 | 2013 |
|---|---|---|
| | £'000 | *£'000* |
| Authorised: | | |
| 4,000,000 (2013: 4,000,000) Ordinary shares of £1 each | 4,000 | *4,000* |
| 600,000 (2013: 600,000) 10% Irredeemable preference shares of £1 each | 600 | *600* |
| | 4,600 | *4,600* |
| Issued, called up and fully paid: | | |
| 3,602,000 (2013: 3,602,000) Ordinary shares of £1 each | 3,602 | *3,602* |
| 600,000 (2013: 600,000) 10% Irredeemable preference shares of £1 each | 600 | *600* |
| | 4,202 | *4,202* |

The rights attaching to the 10% irredeemable preference shares of £1 each are summarised in note (iv) to the company's individual financial statements.

**21 Share premium**

| | 2014 | 2013 |
|---|---|---|
| | £'000 | *£'000* |
| Beginning of year | 15 | *15* |
| Movement during the year | - | - |
| End of year | 15 | *15* |

**22 Investment revaluaation reserve**

| | 2014 | 2013 |
|---|---|---|
| | £'000 | *£'000* |
| Beginning of year | 1,198 | *1,151* |
| Movement on revaluation of investments (net of deferred tax) | (335) | *47* |
| End of year | 863 | *1,198* |

**23 Translation reserve**

| | 2014 | 2013 |
|---|---|---|
| | £'000 | *£'000* |
| Beginning of year | (769) | *(909)* |
| Exchange differences arising on translation of overseas operations | 173 | *140* |
| End of year | (596) | *(769)* |

**24 Retained earnings**

| | 2014 | 2013 |
|---|---|---|
| | £'000 | *£'000* |
| Beginning of year | 6,298 | *5,251* |
| Prior year losses transferred to non controlling interests | 85 | |
| Profit for the year | 1,307 | *892* |
| Remeasurement of net defined benefit scheme asset | 29 | *156* |
| End of year | 7,719 | *6,298* |

## 25 Non-controlling interests

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Beginning of year | 6,409 | *5,285* |
| Subscription of shares in a subsidiary | 113 | - |
| Prior year losses transferred from retained earnings | (85) | - |
| Share of profit for the year | 1,018 | *1,409* |
| Share of remeasurement of net defined benefit scheme asset | 22 | *117* |
| Dividends paid to minority shareholders in subsidiaries | - | *(198)* |
| Exchange translation differences | 85 | *(203)* |
| End of year | 7,562 | *6,410* |

## 26 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.

| | 2014 | *2013* |
|---|---|---|
| The principal actuarial assumptions used in determining the amounts reflected in the financial statements are: | | |
| Discount rate | 14% | *13%* |
| Expected rate of return on scheme assets | NA | *NA* |
| Future salary increases | 10% | *10%* |
| Future pension increases | 0% | *0%* |

| | | |
|---|---|---|
| The movement in the present value of the asset recognised in respect of the defined benefit scheme was as follows | £'000 | *£'000* |
| Beginning of year | (417) | *(135)* |
| Current service cost net of employer contributions | 22 | *26* |
| Interest on obligation | 132 | *118* |
| Expected return on scheme assets | (187) | *(124)* |
| Net actuarial (gain) / loss recognised in the year | (186) | *(273)* |
| Contributions paid | (46) | *(49)* |
| Exchange translation differences | (12) | *20* |
| | (695) | *(417)* |

| | | |
|---|---|---|
| The amount included in the balance sheet is determined as follows: | | |
| Present value of defined benefit obligations | 1,145 | *1,012* |
| Fair value of scheme assets | (1,840) | *(1,429)* |
| Asset recognised in balance sheet | (695) | *(417)* |

## 26 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 £1,179,000. The sensitivity to salary escalation would be broadly similar. The weighted average duration of the liablity at the same date was 2.9 years.

The group contributes to a defined benefit scheme for certain non-unionised employees. The contribution to this scheme during the year amounted to £17,000 (2013: £13,000) which has been charged against income.

## 27 Related party transactions

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Sales of sisal fibres and yarns to Wiggleworth & Co. Limited | 15,724 | *14,738* |
| Current trade payables due to Wigglesworth & Co. Limited | 78 | *65* |
| Current trade receivables from Wigglesworth & Co. Limited | 2,111 | *1,370* |
| Payable to a client of Wigglesworth & Co. Limited | 1,475 | |
| Payable to Willington Limited | 2,250 | *750* |
| Payable to Emba Holdings Limited | 2,275 | *785* |
| Payable to Richard and Jeremy Robinow | 1,300 | *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.

## 28 Operating lease commitments

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Future minimum lease payments under non-cancellable operating leases are as follows: | | |
| Within one year | 31 | *32* |
| Between two and five years | - | *25* |
| Over five years | - | *-* |
| | 31 | *58* |

Operating lease payments for the year amounted to £112,000 (2013: £108,000).

## 29 Post balance sheet events

In March 2015, REA Vipingo Plantations Limited ("RVP") entered into conditional agreements for the sale of all the directly owned land at its Vipingo estate, comprising some 9,500 acres, together with all of the shares in its wholly owned subsidiary, Vipingo Estate Limited, which owns a further 900 acres of the Vipingo estate. The consideration for the directly owned land will amount to some Kshs 1.7 billion (payable over two years) and for the shares in Vipingo Estate Limited to some $3.8 million. RVP will retain ownership of substantially all existing sisal growing on the Vipingo estate and will be allowed to continue harvesting it over its normal lifespan subject to the right of the purchaser to call for limited parcels of land to be released early.

Pursuant to a take-over offer comprised in an offer document dated 25 April 2014 and updated by a circular dated 27 March 2015, the company on 1 July 2015 increased its ownership of RVP to some 95 per cent through the acquisition of an additional 22.5 million shares at a price of Kshs 85 per share. The aggregate purchase consideration of some Kshs 1.9 billion was financed as to $11.5 million by a drawing of that amount under a loan facility provided by Commercial Bank of Africa Limited and as to the balance from the company's own resources.

## R.E.A. TRADING LIMITED
## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2014

| | Notes | 2014<br>£'000 | *2013*<br>*£'000* |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | (i) | 2,841 | *3,034* |
| | | 2,841 | *3,034* |
| **Current assets** | | | |
| Debtors | (ii) | 1,390 | *2,902* |
| Bank balances and cash | | 6,974 | *2,630* |
| | | 8,364 | *5,532* |
| **Creditors falling due within one year** | (iii) | (7,488) | *(3,004)* |
| **Net current assets** | | 876 | *2,528* |
| **Net assets** | | 3,717 | *5,562* |
| **Capital and reserves** | | | |
| Called up share capital | (iv) | 4,202 | *4,202* |
| Share premium | (v) | 15 | *15* |
| Profit and loss account | (v) | (500) | *1,345* |
| **Total shareholders' funds** | | 3,717 | *5,562* |

The financial statements of R.E.A. Trading Limited, registered number 88367, were approved and authorised by the Board on 31 July 2015.

R M 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 2014**

| | 2014<br>£'000 | *2013*<br>*£'000* |
|---|---|---|
| (Loss)/profit for the financial year | (1,845) | *256* |
| Shareholders' funds at beginning of year | 5,562 | *5,306* |
| Shareholders' funds at end of year | 3,717 | *5,562* |

## 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 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**

| | 2014 | 2013 |
|---|---|---|
| | £'000 | *£'000* |
| Shares in subsidiary companies (including listed £2,416,000, 2013: £2,416,000) | 2,514 | *2,707* |
| Other listed investments | 327 | *327* |
| Unlisted investments | - | - |
| | 2,841 | *3,034* |

| | | |
|---|---|---|
| The movements during the year were: | £'000 | *£'000* |
| At 1 January 2014 | 3,034 | *3,035* |
| Additions | 2,007 | - |
| Disposal of unlisted investments | - | *(1)* |
| Impairment | (2,200) | - |
| At 31 December 2014 | 2,841 | *3,034* |

At 31 December 2014, the market value of the listed investments was £18,375,000 (2013: £8,409,000).

*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**

| | 2014 | 2013 |
|---|---|---|
| | £'000 | *£'000* |
| Group companies | 1,030 | *2,757* |
| Other debtors | 360 | *145* |
| | 1,390 | *2,902* |

### (iii) Creditors falling due within one year

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Associated party creditors | 7,300 | *2,935* |
| Corporation tax | 36 | - |
| Accruals | 152 | *69* |
| | 7,488 | *3,004* |

Associated party creditors comprise a balance of £2,275,000 (2013: £785,000) owed to Emba Holdings Limited (a company owned by Richard Robinow and Jeremy Robinow and their families), £2,250,000 (2013: £750,000) owed to Willington Limited (a company owned by Richard Robinow and Jeremy Robinow), £1,475,000 (2013: £nil) owed to a client of Wigglesworth & Co. Limited (a wholly owned subsidiary of Willington Limited) and £1,300,000 (2013: £1,400,000)) owed to Richard Robinow and Jeremy Robinow, as to £650,000 each (2013: £700,000 each).

### (iv) Called up share capital

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Authorised: | | |
| 4,000,000 (2013: 4,000,000) Ordinary shares of £1 each | 4,000 | *4,000* |
| 600,000 (2013: 600,000) 10% Irredeemable preference shares of £1 each | 600 | *600* |
| | 4,600 | *4,600* |
| Issued, called up and fully paid: | | |
| 3,602,000 (2013: 3,602,000) Ordinary shares of £1 each | 3,602 | *3,602* |
| 600,000 (2013: 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 2014 | 15 | 1,345 |
| Retained loss for the year | - | (1,845) |
| End of year 31 December 2014 | 15 | (500) |

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 loss before dividends recognised in the company's profit and loss account is £1,845,000 (2013: profit £256,000).

**(vi) Directors' emlouments**

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Salaries | 72 | 72 |
| Social security costs | 9 | 9 |
| Bonus | 12 | 12 |
| | 93 | 93 |
| Emoluments of highest paid director | 48 | 48 |

**(vii) Related party transactions**

| | 2014 | *2013* |
|---|---|---|
| | £'000 | *£'000* |
| Income: | | |
| Fees from REA Vipingo Plantations Limited | 24 | *26* |
| Fees from associated parties | 338 | *310* |
| Dividends received from REA Vipingo Plantations Limited | - | *282* |
| Interest received from PT Robindo Natayara | 38 | *128* |
| Closing balances: | | |
| Due from PT Robindo Natayara | 1,030 | *2,741* |
| Due to associated parties | (7,300) | *(2,935)* |

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.