R.E.A. TRADING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

The company's registered number is 88367

R.E.A. TRADING PLC
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CONTENTS

R.E.A. TRADING PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Principal activities and business review

The main activity of R.E.A. Trading plc (the "company") continues to be that of an investment holding company with the principal investment consisting of a 97 per cent interest in the company's Kenyan subsidiary, REA Vipingo Plantations Limited ("RVP"), which with its subsidiaries is predominantly engaged in the cultivation of sisal in Kenya and Tanzania. RVP also has a sisal spinning mill in Tanga (Tanzania) and a small horticultural business in Kenya. In addition, the company and its subsidiaries (the "group") own a physical commodity trading business in the UK, hold interests in three coal concessions in the East Kalimantan Province of Indonesia and are developing a new abaca plantation in the Ambon Province of Indonesia. The commodity trading business acts as a distributor of natural fibres, concentrating on sisal and abaca, and in particular distributes most of the raw and spun sisal fibre produced by RVP.

The area planted with sisal at 30 September 2022 was 14,994 hectares (2021: 14,888 hectares). Dry weather meant that sisal cutting had to be restricted at various times during the year and, as a result, production of sisal fibre for the year amounted to 16,731 tonnes, 11 per cent below the production of the previous year (18,807 tonnes). Fortunately, the adverse impact of lower production was to a significant extent offset by firmer sisal prices.

The Tanga spinning mill had a difficult year producing only 1,213 tonnes of yarns and ropes (2021: 1,733 tonnes). Sales into local markets were particularly badly impacted by reduced demand from the agricultural sector as a result of the dry weather. By contrast, the Kenyan horticultural division had another excellent year with baby corn volumes remaining at acceptable levels and the seed business continuing to mature.

The new biomass plant on the Dwa estate in Kenya has been ready for commissioning for some time but commissioning has been delayed as a result of financial problems at Kenya Power and Lighting Company Limited ("KPL"). Following the election of a new Kenyan president in the 2022 Kenyan presidential election, the continuing discussions between Dwa and KPL have received new impetus and it is now thought that these will soon be brought to a successful conclusion after which the plant can be activated.

The commodity trading business continued to trade principally in sisal and abaca, with sisal and sisal products accounting for some 75 per cent of the business's sales in 2022. Such sales remained well spread geographically with China continuing to be the largest destination accounting for 25 per cent of volumes. Although operational difficulties in the shipping market again caused problems in the early part of the year, with most shipping lines unwilling to fix freight rates on anything other a spot basis per vessel, the second half of the year saw freight costs easing downwards. This welcome trend has continued into 2023.

Principal activities and business review continued

During 2022, demand for sisal remained strong both for the traditional product areas of agricultural twines and basic ropes and for newer uses such as plaster reinforcement in the construction sector. A slowdown in demand from China, continuing to grapple with Covid-19 restrictions, was offset by increased offtake in the Middle East and West Africa. Demand for abaca was also firm with specialty food preparation and medical filter papers made from abaca considered high priority products for use during the pandemic. The early months of 2023 saw some weakening in both sisal and abaca markets but recovering sisal demand from China in recent weeks encourages the hope that sisal markets will soon be restored to normal levels with the likelihood that improved pricing in abaca markets will follow.

Development of the group's new abaca plantation continued during the year but at a slower rate than had been hoped as a result of delays in finalising land compensation agreements and difficulties in achieving the desired pace of land clearing. Nevertheless considerable progress has been made with a substantial land area now fully compensated and available to the group and a recent acceleration in the speed of land clearing following a switch from bulldozers to excavators with mulcher attachments for bush removal. Although harvesting of the first plantings was begun during 2022, it was decided to delay selling fibre until initial teething troubles with the decorticating plant had been overcome and the group could assure customers of consistent fibre quality. It is expected that 2023 will see a reasonable volume of sales.

During the closing months of 2022, the group concluded arrangements with a contractor for the recommencement of mining at one of its coal concessions. Under these arrangements, the contractor agreed to fund all mobilisation and mining costs, to sell the coal produced and to pay the group a fee calculated at a fixed price per tonne dependent upon prevailing coal prices. Production started in March 2023 and is expected to run at a rate of 30,000 tonnes per month for 20 months. Subsequently, a similar arrangement has been agreed in respect of a second coal concession.

Operating profit for the year amounted to £7,753,000 against £4,143,000 for 2021 while profit before tax amounted to £7,485,000 against £4,021,000 for 2021. The results were flattered by an increase of over £1 million in the fair value of biological assets but, against this, the group wrote off foreign exchange losses of £468,000 (2021: £303,000).

As in the prior year, the relatively high tax charge for 2022 reflected the incidence of withholding tax on intra group dividends and the decision of the directors not to accrue a deferred tax asset on losses in the abaca project arising during the initial development of the project from the write off as incurred of the administrative expenses of the project.

At 31 December 2022, funds attributable to equity shareholders amounted to £60.5 million against £54.7 million at 31 December 2021. Net indebtedness was £nil (2021: £nil).

Principal activities and business review continued

Whist the war in Ukraine has not so far had any direct negative impact on the group, current economic conditions, which must be partly seen as a consequence of the war, have, as noted earlier, resulted in some weakening in sisal and abaca markets. It is nevertheless still expected that the sisal growing and commodity trading operations will continue to trade at reasonable levels. Moreover, the group's 2023 results should benefit from a contribution from the coal concessions.

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, and in particular the net cash position shown, the existing bank facililites available to the group (which, although subject to annual renewal, are expected by the directors to be renewed), budgeted future income and expenditure, the risks and uncertainties detailed below and the risks and risk management policies detailed in note 19 to the consolidated financial statements.

The directors have had regard to the uncertainties created by the war in Ukraine and current economic conditions and, in particular, the impact that these could have on the group's ability to continue its plantation operations. The company continues to monitor the impact of such considerations. The directors are satisfied that these do not cast significant doubt upon the company's ability to continue as a going concern.

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 (such as future natural disasters, wars or acts of God) 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 unmitigated risks but such management cannot provide insurance against every possible eventuality.

A large part of the group's operating activities is located in Kenya, Tanzania and Indonesia and the group is therefore significantly dependent on political and economic conditions in those countries.

Risks and uncertainties continued

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.

The directors have considered the potential impact on the group of global climate change. Both sisal and abaca are agricultural commodities and, as such, are dependent upon sunlight hours and rainfall. Climatic changes could therefore impact levels of production from the group's estates and the levels of business of the group's commodity trading operations. The directors consider it likely that any loss of production or traded volumes will be more than compensated by higher prices and margins. Because the size of the reserves in the group's coal concessions is such that the concessions can be mined out in a relatively short period, the directors consider it unlikely that the group's coal interests will be affected by global climate change.

The directors have also considered the effect of current economic uncertainties on the group. As noted above, there was some weakening of sisal and abaca prices in the early months of the year. the group is conservatively financed and well placed to withstand what now appears likely to be a temporary downturn in prices. Should reduced demand result in sisal stock levels increasing significantly, the directors would consider scaling back sisal production to a limited extent but the directors do not otherwise consider that any mitigating action is required.

<u>Agricultural activities</u>

Agricultural factors

Although the group's operations are located in areas in which rainfall, sunlight hours and soil conditions are well suited to the cultivation of sisal and abaca, 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 the commodities that it produces, 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.

Risks and uncertainties continued

Land availability for abaca plantation

The land upon which the group's new abaca plantation is being developed is being released to the group by the Indonesian government in stages. Each land release involves agreement and settlement of compensation with affected local communities and a titling process with the relevant government authorities. Delays to land releases should not affect the ultimate viability of the abaca project but could result in increased development costs.

Financial factors

The group is exposed to credit risks, exchange rate and interest rate movements and liquidity risk. 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 19 to the consolidated financial statements.

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 one of its areas of operation. 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.

<u>Coal activities</u>

The profitability and cash flow of the coal operations will be dependent upon production volumes and efficiencies and the prevailing level of world coal prices. The Paris Accord on climate change, which requires progressive action to reduce global warming, may result in reduced usage of coal and this could mean that coal prices become depressed.

<u>Trading operations</u>

The principal risks within the trading operations are counterparty default risk and exposure to foreign currency rate and commodity price movements. The group seeks to mitigate these risks by dealing principally with counterparties who have had longstanding relationships with the group, insuring some credit risks, trading to a large extent on the basis of cash against documents, carefully monitoring dealings with all counterparties, to the extent possible maintaining matched positions and covering foreign currency risks.

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 respects planted hectarage, agricultural and spun fibre outputs, operating profits and shareholders' funds.

Employment and environmental practices

In its plantation operations, the group endeavours to employ local staff and contractors so as to provide work and income for the benefit of the local communities.

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, in the sisal operations, the group supports the code of practice adopted by the Sisal Growers' and Employers' Association in Kenya which covers employment practices, health and safety, HIV/AIDS policies and environmental standards.

The group is committed to the protection of the environment. In the sisal factories in East Africa, composted sisal waste from the decorticating process is recycled by utilising it as a natural fertiliser while water waste is recycled to irrigate secondary crops in the horticultural operations. The biomass plant currently awaiting commissioning on the Dwa Estate in Kenya will have a generating capacity of 1.44Mw and will reduce the group's consumption of externally generated electricity. In the abaca project in Indonesia, the group is endeavouring to manage the project development in a manner that will enable it to obtain independent sustainability certification.

Corporate social responsibility

The group devotes considerable resources towards the social welfare of its employees by provision of housing, educational, health and social facilities.

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.

Statement under section 172(1) of the Companies Act 2006

Each of the two directors acknowledges his responsibility to promote the success of the company for its shareholders having appropriate regard to the interests of other stakeholders in the group and the wider community.

Most of the group's operations comprise or are based around agricultural activities. Such activities are long term businesses and the group therefore takes strategic decisions based on long term considerations.

Employee welfare is central to decisions regarding the interests of the group's employees and their communities. As noted under "Corporate governance" in the Directors' report, the group takes pride in having a long serving workforce with low staff turnover.

Statement under section 172(1) of the Companies Act 2006 continued

The group attaches importance to fostering the group's business relationship with suppliers, customers and other stakeholders and engages with such stakeholders as detailed under "Engagement with suppliers, customers and others" in the Directors' report.

The group is committed to the protection of the environment as noted above under "Employment and environmental practices" and endeavours to foster good relations with local communities as noted under "Corporate governance" in the Directors' report.

Reputation matters to the group and the group always considers reputational impact in taking decisions and encourages high standards of business conduct.

To ensure that the company always acts fairly as between its members, the directors take particular care to ensure that all board decisions are agreed by both its directors in their capacity as the holders of the entire issued irredeemable preference and ordinary share capital of the company.

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Tennyson House
159-165 Great Portland Street
London W1W 5PA

Approved by the board on 21 June 2023 and signed on its behalf by
R.E.A. SERVICES LIMITED
Secretary

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Business review and activities

The principal activities of the company are set out in the Strategic report above, which is incorporated by reference in this report. The information that fulfils the Companies Act business review requirements is also included in the Strategic report. This includes a review of the development of the business of the group during the year, commentary on the results and information regarding likely future developments. Details of the principal risks and uncertainties faced by the group are also included in the Strategic report.

Other than as disclosed in note 32 to the consolidated financial statements, there have been no significant events since 31 December 2022 that require disclosure.

Information about the use of financial instruments is given in note 19 to the consolidated financial statements.

Dividends

Preference dividends paid in respect of 2022 totalled £60,000 (2021: £60,000). Ordinary dividends paid during the year totalled £200,000 (2021: £50,000). No final dividend is proposed (2021: £nil).

Directors

The directors holding office throughout the year and up to the date of this report were Richard Robinow and Jeremy Robinow.

Directors' indemnities

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

Corporate governance

The company is an investment holding company which is managed by its two directors who together own the entire issued share capital of the company. As such the directors do not consider it appropriate to adopt a formal corporate governance code. Nevertheless, the directors appreciate the importance of ensuring that the affairs of the group are managed responsibly and with integrity.

Corporate governance continued

Management of the subsidiary companies heading the operating units within the group is the responsibility of the boards of those subsidiary companies but the company encourages those boards to develop appropriate strategies designed to generate long-term sustainable value. In the larger operating units, the relevant subsidiary companies appoint external independent non-executive directors to provide independent oversight of the relevant units. Periodic visits are made by the directors to each of the operating units and management and staff of those units provide written and oral reports to the company to provide information that it is appropriate that the company be given as the majority shareholder in such units.

Each operating unit is required to prepare an annual budget that is submitted for approval to the board of the subsidiary company heading that operating unit. Operating units are then required to report monthly against budgets. Capital expenditure that has not been approved as part of an annual budget is subject to specific approval. Considerable attention is given to the maintenance of internal control and larger operating units have internal audit functions.

The group attaches importance not only to the process established for controlling risks but also to promoting an internal culture in which all group staff are conscious of the risks in their particular area of activity, are open with each other in their disclosure of such risks and combine together in seeking to mitigate risk. In particular the group has always emphasised and continues to emphasise the importance of integrity and ethical dealing.

The group pays close attention to its relations with stakeholders. The group takes pride in the fact that many of its employees are long-serving and that its staff turnover is low. It recognises that loyalty must be reciprocated. The group seeks to deal fairly with suppliers and customers and endeavours to liaise with, and foster good relations with, local communities where its operations are material to such communities.

The group is always open to supporting projects that enhance employee welfare and the welfare of local communities. Such projects mostly involve provision of infrastructure such as building facilities in local government schools attended by children of group employees. During and following the Covid-19 pandemic, the group has supported measures to reduce the spread of infectious diseases in response to the particular requirements of each location, including hand washing facilities, protective equipment, sanitisers and other relevant medical supplies.

The group believes that remuneration should motivate and fairly reward individual performance in a way that is consistent with the best long term interests of the group, its stakeholders and the company's shareholders. In setting remuneration policies, each group company takes account of the group's strategy, commercial goals and achievements, as well as its sustainability objectives in furtherance of the long term success of the group.

Engagement with suppliers, customers and others

Group managers are conscious of their and the group's responsibility to its customers, suppliers and other stakeholders. There is a regular dialogue between the group and its suppliers and customers. The group endeavours to make payments to suppliers in accordance with its agreed terms of trade and expects its customers to do likewise. Relationships with other stakeholders are fostered by mutual respect and periodic meetings with senior management.

Streamlined energy and carbon reporting ("SECR")

No member of the group meets the requirements for SECR at an individual level.

Auditor

An elective resolution was passed on 25 July 2002 dispensing with the requirement to appoint an auditor annually. Therefore, Deloitte LLP is 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 auditor is 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.

Approved by the board on 21 June 2023 and signed on its behalf by
R.E.A. SERVICES LIMITED
Secretary

5th Floor North
Tennyson House
159-165 Great Portland Street
London W1W 5PA

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

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 UK adopted International Financial Reporting Standards (IFRSs) and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 “Reduced Disclosure Framework". 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 judgements 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.

R.E.A. TRADING PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

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.

Approved by the board on 21 June 2023 and signed on its behalf by
R.E.A. SERVICES LIMITED
Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
R.E.A. TRADING PLC
FOR THE YEAR ENDED 31 DECEMBER 2022

Opinion

In our opinion:

- the financial statements of R.E.A. Trading plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 32 of the group and (i) to (xiv) of the parent company.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
R.E.A. TRADING PLC
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of directors continued

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

Extent to which the audit was considered capable of detecting irregularities, including fraud continued

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as financial instrument specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Valuation of open position forward commodity contracts within Wigglesworth & Co. Limited as at 31 December 2022. We engaged a Deloitte financial instruments specialist to assist with ensuring the contracts are revalued to fair value appropriately. We agreed the fair value price to the price achieved in contracts entered into close to year end;
- Revenue recognition in the correct period within REA Vipingo Plantations Limited. We reviewed the work of our component audit team who had selected samples pre and post year-end and obtained the bill of lading to determine whether the recognition period was correct; and
- Revenue recognition: the completeness of the adjustment to remove prematurely executed contracts from the accounting records within Wigglesworth & Co. Limited. We performed additional testing on revenue recognised in the last 6 weeks of the year and agreed a sample of revenue recognised to the courier manifest which includes the date the bill of lading was received. We then confirmed that all contracts where the bill of lading was received in 2023 were correctly included in the premature executions listing.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, including a review of the component audit team's procedures over journals; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
R.E.A. TRADING PLC
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.E.A. TRADING PLC FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Use of our report

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.

JOHN CLACY ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

21 June 2023

R.E.A. TRADING PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	*2021* *£'000*
Revenue	2	59,306	50,235
Cost of sales		(41,406)	(34,735)
Gross profit		17,900	15,500
Net change in fair value of biological assets	14	1,176	140
Other operating income		440	641
Distribution costs		(822)	(851)
Administrative expenses		(10,789)	(11,148)
Other operating expenses		(152)	(139)
Operating profit	3	7,753	4,143
Investment revenue		254	382
Finance costs	5	(522)	(504)
Profit before tax		7,485	4,021
Tax	6	(3,054)	(2,183)
Profit for the year		4,431	1,838
Attributable to:			
Equity holders of the parent		4,487	1,843
Non-controlling interests		(56)	(5)
		4,431	1,838
Earnings per ordinary share (p)	7	73	*29*

All operations for both years are continuing.

R.E.A. TRADING PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £'000	*2021 £'000*
Profit for the year	4,431	1,838
Other comprehensive (expense) / income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit scheme asset	(112)	(6)
Deferred tax thereon	38	2
	(74)	(4)
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	1,624	(554)
	1,624	(554)
Total comprehensive income for the year	5,981	1,280
Attributable to:		
Equity holders of the parent	5,986	1,301
Non-controlling interests	(5)	(21)
	5,981	1,280

R.E.A. TRADING PLC
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2022

	Notes	2022 £'000	*2021 £'000*
Non-current assets			
Goodwill	8	468	*468*
Intangible assets	9	130	*323*
Property, plant and equipment	10	36,250	*32,348*
Right of use assets	11	437	*559*
Coal development	12	2,932	*2,181*
Investments	13	68	*65*
Defined benefit scheme	29	517	*558*
Deferred tax assets	20	99	*68*
		40,900	*36,570*
Current assets			
Biological assets	14	6,409	*4,911*
Inventories	15	10,706	*8,997*
Trade and other receivables	16	13,542	*14,021*
Tax recoverable		136	*161*
Derivative financial assets	19	1,148	*961*
Cash and cash equivalents	18	6,682	*7,629*
		38,623	*36,680*
Total assets		79,523	*73,250*
Current liabilities			
Trade and other payables	22	(3,833)	*(4,710)*
Derivative financial liabilities	19	(324)	*(103)*
Current tax liabilities		(792)	*(376)*
Borrowings and lease liabilities	17	(1,671)	*(1,078)*
		(6,620)	*(6,267)*
Non-current liabilities			
Borrowings and lease liabilities	17	(4,718)	*(5,291)*
Deferred tax liabilities	20	(4,707)	*(4,069)*
Provisions	21	(2,336)	*(2,139)*
		(11,761)	*(11,499)*
Total liabilities		(18,381)	*(17,766)*
Net assets		61,142	*55,484*
Equity			
Equity share capital	23	6,702	*6,702*
Share premium account	24	12,285	*12,285*
Capital redemption reserve	25	2,000	*2,000*
Translation reserve	26	(1,848)	*(3,417)*
Retained earnings	27	41,329	*37,174*
		60,468	*54,744*
Non-controlling interests	28	674	*740*
Total equity		61,142	*55,484*

The financial statements were approved and authorised for issue by the Board on 21 June 2023 and are signed on its behalf on that date by

RICHARD ROBINOW
Director

R.E.A. TRADING PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Equity share capital *(note 23)*	Share premium *(note 24)*	Capital redemption reserve *(note 25)*	Translation reserve *(note 26)*	Retained earnings *(note 27)*	Sub total	Non-controlling interests *(note 28)*	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	6,702	12,285	-	(2,879)	37,432	53,540	904	54,444
Redemption of preference shares			2,000		(2,000)			
Profit	-	-	-	-	1,843	1,843	(5)	1,838
Other comprehensive (expense)/income	-	-	-	(538)	(4)	(542)	(16)	(558)
Dividend on ordinary shares	-	-	-	-	(50)	(50)	-	(50)
Dividend on preference shares	-	-	-	-	(60)	(60)	-	(60)
Dividend to non-controlling interests in subsidiary	-	-	-	-	-	-	(125)	(125)
Partial reduction of non-controlling interests	-	-	-	-	13	13	(18)	(5)
At 31 December 2021	6,702	12,285	2,000	(3,417)	37,174	54,744	740	55,484
Profit	-	-	-	-	4,487	4,487	(56)	4,431
Other comprehensive income/(expense)	-	-	-	1,569	(70)	1,499	51	1,550
Dividend on ordinary shares	-	-	-	-	(200)	(200)	-	(200)
Dividend on preference shares	-	-	-	-	(60)	(60)	-	(60)
Dividend to non-controlling interests in subsidiary	-	-	-	-	-	-	(51)	(51)
Partial reduction of non-controlling interests	-	-	-	-	(2)	(2)	(10)	(12)
At 31 December 2022	6,702	12,285	2,000	(1,848)	41,329	60,468	674	61,142

R.E.A. TRADING PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	*2021* *£'000*
Operating activities			
Operating profit		7,753	4,143
Depreciation of property, plant and equipment and right of use assets	3	2,957	2,733
Amortisation of intangible assets	3	193	193
Biological gain	14	(1,176)	(140)
Gain on disposal of property, plant and equipment	3	(93)	(254)
Remeasurement of net defined benefit scheme asset		(90)	(20)
Exchange translation differences		(234)	(166)
Operating cash flows before movements in working capital		9,310	6,489
Increase in inventories		(1,570)	(941)
Decrease in receivables		437	3,684
Decrease in payables		(745)	(80)
Increase / (decrease) in defined benefit scheme asset		59	(73)
Increase in provisions		130	132
Cash generated by operations		7,620	9,211
Taxes paid		(2,253)	(2,303)
Interest paid (of which £33,000 in respect of lease liabilities (2021: £33,000))		(522)	(504)
Net cash from operating activities		4,845	6,404
Investing activities			
Investment revenue	2	254	382
Proceeds on disposal of property, plant and equipment		93	263
Purchases of property, plant and equipment and right of use assets		(5,183)	(7,815)
Coal development		(682)	(95)
Net cash used in investing activities		(5,518)	(7,265)
Financing activities			
Dividends paid to shareholders	27	(260)	(110)
Dividends paid to non-controlling interests	28	(51)	(125)
Change in non-controlling interests in subsidiary		(12)	(4)
Repayment of lease liabilities	17	(179)	(162)
Increase in borrowings		(421)	1,889
Net cash from financing activities		(923)	1,488
Net cash and cash equivalents			
Net (decrease) / increase in cash and cash equivalents		(1,597)	627
Net cash and cash equivalents at beginning of year		7,148	6,525
Effect of foreign exchange rate changes		79	(4)
Net cash and cash equivalents at end of year	18	5,630	7,148
Movement in cash net of borrowings			
Change in cash / borrowings resulting from cash flows:			
Net (decrease) / increase in cash and cash equivalents		(1,597)	627
Increase in borrowings and lease liabilities		600	(1,727)
		(997)	(1,100)
Currency translation differences		30	39
Cash net of borrowings at beginning of year		1,260	2,321
Cash net of borrowings at end of year	19	293	1,260

Basis of accounting

R.E.A. Trading plc is a company incorporated in England and Wales under the Companies Act 2006 as a public company limited by shares with registration number 88367. The company's registered office is at Fifth Floor North, Tennyson House, 159-165 Great Portland Street, London W1W 5PA. It is the parent company and ultimate holding company of a group of which the principal activities are described in the Strategic report above.

The consolidated financial statements are prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS") as endorsed by the UK Endorsement Board.

The accompanying financial statements are prepared under the historical cost convention as modified by the revaluation of growing produce, produce stocks and derivative financial instruments which are stated at fair value.

The consolidated financial statements are presented in sterling. Reported sterling amounts are rounded to the nearest thousand. The group has operations in the United Kingdom, Indonesia, Kenya and Tanzania and, in each case, treats the local currency of the applicable area as the functional currency of the relative operation.

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, and in particular the net cash position shown, the existing bank facililites available to the group (which, although subject to annual renewal, are expected by the directors to be renewed), budgeted future income and expenditure, the risks and uncertainties detailed in the Directors' report and the risks and risk management policies detailed in note 19 to the consolidated financial statements.

The directors have had regard to the uncertainties created by the war in Ukraine and current economic conditions and, in particular, the impact that these could have on the group's ability to continue its plantation operations. The company continues to monitor the impact of such considerations. The directors are satisfied that these do not cast significant doubt upon the company's ability to continue as a going concern.

Adoption of new and revised standards

There were no new or revised standards or interpretation that became mandatorily effective for an accounting period beginning 1 January 2022 that had an impact on the amounts reported or disclosures included in these financial statements.

Adoption of new and revised standards continued

At the date of authorisation of these financial statements, the standards and interpretations which were in issue but not yet effective and that have not been applied in these financial statements are set out below together with their effective years of implementation:

• Amendments to IAS 1 and IFRS 17: Classification of liabilities	2023
• Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies	2023
• Amendments to IAS 8: Definition of accounting estimates	2023
• Amendments to IAS 12: Recognition of taxable differences	2023

The directors do not expect that the adoption of the standards, amendments and interpretations 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. Although 97 per cent owned, REA Vipingo Plantations Limited has over 2,000 shareholders and it would be difficult to change its year end and impractical to prepare additional financial statements for REA Vipingo Plantations Limited to 31 December. There were no significant transactions affecting the financial position of REA Vipingo Plantations Limited in the period from 1 October to 31 December 2022.

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.

Basis of consolidation continued

On acquisition of a new subsidiary, 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.

On acquisition of all or any part of a non-controlling interest in an existing subsidiary, any difference between the cost of acquisition and the carrying value of the interest acquired is recognised in equity.

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.

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. It is recognised where performance obligations under a contract are satisfied and it is probable that the economic benefits of the contract will flow to the contracting entity and the revenue can be reliably measured. Specifically, within the trading operations, sales of goods are recognised when the documents of title to the goods sold are delivered to the group's customer or the customer's representative (at which point transfer of control of the goods has passed to the customer).

All revenue in the group's trading operations is derived from contracts that meet the requirements to be scoped into IFRS 9: "Financial instruments". Accordingly such revenue is exempt from the reporting requirements of IFRS 15: "Revenue from contracts with customers".

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.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange at the dates of the transactions. At each balance sheet date monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date. Non-monetary assets and liabilities carried at fair values that are denominated in foreign currencies are translated at the rates prevailing at the dates when the fair values were determined. Gains or losses arising on retranslation are included in the net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities, which are recognised directly in equity in the 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 ruling at the balance sheet date. Income and expenses are translated at the average rate for the period or, where practicable, at the rates ruling when the income was received and the expenses incurred. Exchange differences arising are transferred to equity in the translation reserve. Such exchange differences are recognised as income or expenses in the period in which the entity is sold.

Retirement benefits

United Kingdom

Certain existing and former employees of the group are members of a multi-employer contributory defined benefit scheme. The estimated regular cost of providing for benefits under this scheme is calculated so that it represents a substantially level percentage of current and future pensionable payroll and is charged as an expense as it is incurred.

Amounts payable to recover actuarial losses, which are assessed at each actuarial valuation, are payable over a recovery period agreed with the scheme trustees. Provision is made for the present value of future amounts payable by the group to cover its share of such losses. The provision is reassessed at each accounting date, with the difference on reassessment being charged or credited to the consolidated income statement in addition to the adjusted regular cost for the period.

Indonesia

payments on retirement. These obligations are unfunded and provision is made annually on the basis of a periodic actuarial assessment. Actuarial gains and losses are recognised in the statement of comprehensive income; any other increase or decrease in the provision is recognised in the consolidated income statement.

East Africa

Certain existing and former employees in East Africa are members of a defined benefit scheme. The scheme's assets are held in a separate trustee administered fund which is funded by contributions from both the group and employees.

Retirement benefits continued

East Africa continued

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 consolidated income statement.

The retirement benefit amount recognised in the group balance sheet represents the deficit or surplus in the East African defined benefit scheme but any such surplus is limited to 50 per cent of the total actuarial surplus in conformity with the regulations of the Kenyan Retirement Benefits Authority.

The group also makes contributions to a local National Social Security Fund, a statutory provident fund, and to a defined contribution scheme operated by the group. The group's contributions are charged to the consolidated income statement in the year to which they relate.

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 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 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 consolidated 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.

Sisal and abaca plants

Sisal and abaca plants are treated as bearer plants. As such, they are accounted for as property, plant and equipment and are stated at historical cost less accumulated depreciation net of any provision for impairment. The plants are treated as brought into use when they become mature and are then depreciated using the straight line method over a their estimated useful lives after attaining maturity (8 years for both sisal and abaca plants).

The gain or loss on the disposal or uprooting of sisal and abaca plants is determined as the difference between the proceeds (if any) realised and the carrying amount of the plants concerned and is recognised in the consolidated income statement.

The fibre content of leaves of sisal plants and of leaf stems of abaca plants that may be expected to be cut when the plants are next harvested in accordance with the group's normal harvesting cycle are, as respects sisal, treated, and when plantings in the group's abaca project are brought into production (expected in 2023) will be treated, as growing produce and accounted for as biological assets.

Biological assets

Biological assets are measured at each balance sheet date at fair value. Such value is estimated net of anticipated harvesting and point of sale costs.

The variation in the value of the biological assets in each accounting period is charged or credited to profit or loss as appropriate, with no depreciation being provided on such assets.

The methodology applied in measuring biological assets is described in note 1 to the accompanying consolidated financial statements (under the sub-heading "Biological 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:

UK buildings	88 years
Overseas buildings	50 years
Plantings	8 years
Plant and machinery	3 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.

Leases

The lease liability is initially measured at the present value of remaining lease payments, which include: fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate and payments of penalties for terminating the lease, if the assumed lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the group's incremental borrowing rate is used, being the rate that the group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment, with similar terms and conditions. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method described above) and by reducing the carrying amount to reflect the lease repayments made. The interest component of lease payments is charged to the consolidated income statement.

Right of use assets are measured at cost, which comprises: the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. Right of use assets are subsequently depreciated over the shorter of the lease term and the assets' useful lives (applying the bases assumed for property, plant and equipment as set out above) on a straight line basis.

Right of use assets and lease liabilities are not recognised in respect of short term leases and leases of low value assets. Instead, the payments in relation to such leases are recognised as an expense in in the consolidated income statement as incurred or on a straight line basis.

Coal development

Acquisition costs to acquire coal rights and concessions, alongside exploration and evaluation expenses incurred to assess the technical feasibility and commercial viability of the coal deposits, are capitalised. A regular review of each coal concession is undertaken to determine the appropriateness of continuing to carry forward costs in relation to that concession. Capitalised costs are only carried forward to the extent that they are expected to be recovered through the successful exploitation of the area of interest or alternatively by its sale. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the consolidated income statement.

On approval for development and commencement of mining of a concession, costs previously capitalised in respect of the concession are transferred to property, plant and equipment as coal assets 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 expenditure on extraction of the entire estimated mineable reserves.

Intangible assets

Intangible assets with finite useful lives acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over the assets' estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated income statement when the asset is derecognised.

Impairment of tangible and intangible assets (excluding goodwill)

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

Agricultural operations

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. Provision is made for obsolete, slow moving or sub-standard stock where appropriate.

Merchanting operations

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to net realisable value. Cost includes payments to suppliers and costs incurred in certification and freight forwarding services at port of origin. Cost is calculated on a first in, first out basis. Provision is made for obsolete, slow moving or sub-standard stock where appropriate.

Non derivative financial instruments

Non derivative financial instruments are recognised in the consolidated balance sheet when the group becomes a party to the contractual provisions of the instrument. Non derivative financial assets comprise trade investments held at fair value, receivables held at amortised cost and cash and cash equivalents. Non derivative financial liabilities comprise bank borrowings, finance leases, loan notes and trade and other payables which are held at amortised cost.

A non derivative financial assets is derecognised when the contractual rights to the cash flows from the asset expire or the asset and substantially all the risks and rewards associated with it are transferred to another entity. A non derivative financial liability is derecognised when the liability is discharged, cancelled or expires.

Assets carried at amortised cost

At each reporting date, the group reviews the carrying value of each asset carried at amortised cost and accounts for expected credit losses and changes in those expected credit losses to reflect changes in credit risk since initial recognition of the asset.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that have a maturity of not more than 90 days from the date of acquisition and 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.

Non derivative financial instruments continued

Bank borrowings, finance leases and loan notes

Bank borrowings, finance leases and loan notes are classified in accordance with the substance of the relative contractual arrangements. Finance costs are charged to income using the effective income method and comprise the contractual interest payable together with the amortisation of costs associated with the negotiation of, and compliance with, the contractual terms and conditions. Bank borrowings, finance leases and loan notes are recorded at the amounts of the proceeds received less subsequent repayments with the relative unamortised balance of costs added to the relative balances.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at their nominal value.

Derivative financial instruments

Derivative financial instruments comprise contracts entered into by the group's merchanting operations for the forward purchase and sale of goods ("physical contracts") and contracts for the forward purchase and sale of foreign currency ("foreign exchange contracts").

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

Physical contracts

Physical contracts may be settled net in cash (or by the exchange of financial instruments) and in this and other respects meet the requirements to be scoped into IFRS 9: "Financial instruments". On initial recognition, such contracts are designated as at fair value through profit and loss and the contracts are subsequently remeasured accordingly. Any gain or loss on such remeasurement is taken to profit or loss as an adjustment to revenue or cost of sales as appropriate.

Physical contracts are derecognised when delivery of goods has taken place. This normally occurs when title to goods the subject of a physical purchase contract and a matched physical sale contract has been transferred whereupon the consideration payable under the physical purchase contract and the net proceeds receivable under the physical sales contract are included in the consolidated income statement under, respectively, cost of sales and revenue.

Foreign exchange contracts

The group enters into foreign exchange contracts to manage its exposure to foreign exchange rate risk.

Foreign exchange contracts are initially recognised at fair value and are revalued at market value at the end of each accounting period. The resulting gain or loss is recognised immediately in the consolidated income statement 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.

Fair value measurement of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Inputs to level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date.

- Level 2: Inputs to level 2 fair values are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: Inputs to level 3 fair values are inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Equity instruments

Instruments are classified as equity instruments if the substance of the relative contractual arrangements evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs not charged to income.

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 expectations 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.

Critical judgements

Property, plant and equipment
Judgements are made by the directors in determining depreciation rates for property, plant and equipment and intangible assets and whether such assets are impaired. No changes in useful lives and no impairment losses were identified at the balance sheet date.

Climate change

Agricultural operations account for a significant component of the group's assets and profits. Such operations are critically dependent upon weather factors including levels and frequency of rainfall and sunlight hours. Such factors have not, so far as can be determined, to-date been, but may ultimately be, adversely affected by climate change. The crops grown by the group can tolerate an element of weather change. Moreover it is likely that any negative impact on productivity caused by climate change would similarly affect the wider industry growing the crops in question and would thus be likely to result in higher profit margins that would compensate for reduced production. Accordingly, no adjustments have been made to carrying values or cash flow forecasts to reflect the possible effects of climate change.

Key sources of estimation uncertainty

Taxation
The group is subject to corporate taxes in various jurisdictions. Significant judgement is required in determining the group's liability to such tax. Certain transactions may occur during the ordinary course of business, in particular cross-border transactions between group companies, as respects which the ultimate tax consequences are uncertain. Moreover, certain overseas group companies are subject to regular tax audits when issues may be raised as to which the ultimate resolution will be uncertain. The group provides for liabilities for uncertain tax outcomes and tax audit issues on the basis of its best assessment of the tax liabilities that will arise. Any differences arising on determinations of such outcomes and issues are then recognised in the period in which such determinations occur.

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

1 Critical accounting judgements and key sources of estimation uncertainty continued

Biological assets

Biological assets comprise growing horticultural, sisal and abaca produce. In determining the fair value of biological assets, the group estimates the available produce at the accounting date, together with the current value of that produce, based on budgeted production levels, selling prices and costs for the year following the accounting date. The methodology for valuing the biological assets is dependent upon a judgement as to future selling prices. A 10 per cent reduction in the selling prices assumed would have reduced the carrying value of the biological assets at 31 December 2022 by £745,000 (2021: £591,000).

Abaca project

Non current assets pertaining to the group's abaca project in Indonesia are carried at £16.3 million (2021: £13.8 million) in the consolidated balance sheet. Because the project is not yet in full production, it has been tested for impairment as a prospective cash generating unit by calculating the value in use over 20 years (being two cycles of abaca production) and deriving a net present value. The key assumptions used are the continuance of current costs of production and selling prices for abaca fibre and a pre-tax discount rate of 8.5 per cent (2021: 9.9 per cent). A 5 per cent reduction in the selling prices assumed and 1 per cent increase in the discount rate applied would have resulted in an impairment charge at 31 December 2022 of £1.2 million.

Coal assets

Coal assets comprising coal development (see note 12) and coal assets included under property, plant and equipment (see note 10) are carried at a combined total of £3.5 million (2021 £2.7 million) in the consolidated balance sheet. Each coal asset is tested for impairment as a cash generating unit by calculating the value in use over the estimated economic life of the relative coal reserve and deriving a net present value. The key assumptions used are the continuance of current costs of production and selling prices and a pre-tax discount rate of 8.5 per cent (2021: 9.9 per cent). A 5 per cent reduction in the selling prices assumed and 1 per cent increase in the discount rate applied would have resulted in an impairment charge at 31 December 2022 of £142,000 against one coal asset.

2 Revenue

	2022	2021
	£'000	*£'000*
Sales of goods	58,277	*49,657*
Revenue from provision of services	675	*717*
Gain / (loss) on forward sale contracts treated as financial instruments	354	*(139)*
	59,306	*50,235*
Other operating income	440	*641*
Investment revenue	254	*382*
Total revenue	60,000	*51,258*

Revenue from provision of services comprises fees charged to related parties for administrative services and freight forwarding fees charged to third parties for forwarding sisal and sisal products.

3 Operating profit

	2022	*2021*
	£'000	*£'000*
Operating profit has been arrived at after charging/(crediting):		
Net foreign exchange losses / (gains)	(468)	*(303)*
Depreciation of property, plant and equipment	2,785	*2,559*
Depreciation of right of use assets	172	*174*
Amortisation of intangible assets (charged within administrative expenses)	193	*193*
Operating lease payments	-	*-*
Short term lease payments	14	*14*
Cost of inventories recognised as expense / (income)	335	*(1,167)*
Gain on disposal of property, plant and equipment	(93)	*(254)*
Staff costs (see note 4)	12,967	*12,422*
Amounts paid to Deloitte LLP for the audit of the financial statements of of the company pursuant to legislation	48	*60*
Amounts paid to Deloitte LLP for the audit of the financial statements of subsidiaries of the company pursuant to legislation	143	*131*
Amounts paid to Deloitte LLP for other services to the group in respect of taxation compliance	59	*74*

4 Staff costs

	2022	*2021*
	Number	*Number*
The average number of persons employed was:		
Agricultural	5,109	*5,069*
Other	118	*130*
	5,227	*5,199*
	£'000	*£'000*
Their aggregate remuneration comprised:		
Wages and salaries	12,215	*11,695*
Social security costs	668	*613*
Pension costs	196	*114*
	13,079	*12,422*

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

5 Finance costs

	2022	*2021*
	£'000	*£'000*
Interest on bank loans and overdrafts	488	*333*
Interest on lease liabilities	33	*33*
Dividend on redeemable preference shares (redeemed during 2021)	-	*138*
	522	*504*

6 Tax

	2022 £'000	*2021 £'000*
Current tax:		
United Kingdom tax (net of double taxation relief of £36,000; 2021: £nil)	1,022	*357*
Foreign tax	1,667	*1,767*
Total current tax	2,689	*2,124*
Deferred tax:		
Current year deferred tax attributable to		
Remeasurement of biological assets	353	*42*
Accelerated depreciation	100	*71*
Remeasurement of provisions	(69)	*(50)*
Defined benefit scheme	24	*34*
Amortisation of intangible assets arising from prior year acquisition of subsidiary	(37)	*(37)*
Right of use assets and leases	(6)	*(1)*
Total deferred tax	365	*59*
Total tax	3,054	*2,183*

Taxation is provided at the rates prevailing for the relevant jurisdiction, which for the United Kingdom is 19 per cent, East Africa 25 per cent and Indonesia 22 per cent (2021: respectively 19 per cent, 25 per cent and 22 per cent).

	2022 £'000	*2021 £'000*
The charge for the year can be reconciled to the profit per the consolidated income statement as follows:		
Profit before tax	7,485	*4,021*
Tax at the standard rate of 19% (2021: 19%) thereon	1,986	*764*
Tax effect of the following items:		
Foreign tax charged at other rates	400	*829*
Income not subject to tax	(612)	*6*
Tax on deemed income	-	*-*
Expenses that are not deductible in determining taxable profit	212	*(314)*
Overseas tax expensed	273	*583*
Losses utilised	-	*(60)*
Net underprovision of tax in prior years	2	*6*
Deferred tax asset not recognised	793	*369*
Deferred tax on allowable loss	-	*-*
Tax expense for the year	3,054	*2,183*

It is expected that taxation rates going forward will be 25 per cent in the UK and unchanged in other relevant jurisdictions.

7 Earnings per share

	2022	*2021*
	£'000	*£'000*
Profit attributable to equity shareholders	4,487	*1,843*
Preference dividends treated as attributable to equity shareholders	(60)	*(60)*
Earnings for the purpose of earnings per share	4,427	*1,783*
	'000	*'000*
Weighted number of ordinary shares for the purpose of earnings per share	6,102	*6,102*

8 Goodwill

	2022	*2021*
	£'000	*£'000*
Opening balance	468	*468*
Additions during the year	-	*-*
Closing balance	468	*468*

The goodwill of £468,000 arose on the acquisition during 2018 of Willington Limited and represented a component of the fair value on acquisition attributed to Willington Limited's wholly owned subsidiary, Wigglesworth & Co. Limited. The goodwill is reviewed for impairment at each reporting date as explained in 'Accounting policies (group)'. The group's trading operations are regarded as the cash generating unit to which the goodwill relates and the recoverable amount of goodwill on the basis of value in use is assessed against the current profitability of those operations, assuming that value in use will include goodwill of not less that two times the operations' contribution to group profit before tax. At the balance sheet date, this provided substantial headroom against the carrying value of goodwill and no provision for impairment was therefore considered necessary.

9 Intangible assets

	2022	*2021*
	£'000	*£'000*
Cost:		
Opening balance	967	*967*
Additions during the year	-	*-*
Closing balance	967	*967*
Amortisation:		
Opening balance	644	*451*
Additions	193	*193*
Closing balance	837	*644*
Carrying amount:		
Opening balance	323	516
Closing balance	130	323

Intangible assets represent the value attributed to the client base of the group's trading operations on acquisition of those operations in 2018. These assets are being amortised on a straight line basis over a five year period.

10 Property, plant and equipment	Land and buildings £'000	Plantings £'000	Plant and machinery £'000	Work in progress £'000	Coal assets £'000	Total £'000
Cost:						
At 1 January 2021	5,226	21,601	12,322	2,449	507	42,105
Additions	19	3,718	3,234	690	-	7,661
Transfers	72	-	412	(484)	-	-
Exchange differences	(76)	(210)	(167)	(59)	(1)	(513)
Disposals	(1)	(902)	(502)	-	-	(1,405)
At 31 December 2021	5,240	24,207	15,299	2,596	506	47,848
Additions	-	3,215	1,402	471	53	5,141
Transfers	447	-	188	(635)	-	-
Exchange differences	303	1,235	911	89	13	2,551
Disposals	-	(1,098)	(391)	-	-	(1,489)
At 31 December 2022	5,990	27,559	17,409	2,521	572	54,051
Accumulated depreciation:						
At 1 January 2021	940	5,264	8,378	-	-	14,582
Charge for year	117	1,301	1,141	-	-	2,559
Transfers	-	-	-	-	-	-
Exchange differences	(14)	(99)	(125)	-	-	(238)
Eliminated on disposals	(1)	(902)	(500)	-	-	(1,403)
At 31 December 2021	1,042	5,564	8,894	-	-	15,500
Charge for year	131	1,430	1,224	-	-	2,785
Transfers	-	-	-	-	-	-
Exchange differences	53	351	601	-	-	1,005
Eliminated on disposals	-	(1,098)	(391)	-	-	(1,489)
At 31 December 2022	1,226	6,247	10,328	-	-	17,801
Carrying amount:						
At 31 December 2021	4,198	18,643	6,405	2,596	506	32,348
At 31 December 2022	4,764	21,312	7,081	2,521	572	36,250

At the balance sheet date, the group had entered into contractual capital commitments for the acquisition of property, plant and equipment amounting to £689,000 (2021: £886,000).

11 Right of use assets

	Land and buildings £'000	Plant and machinery £'000	Total £'000
On recognition or at cost			
At 1 January 2021	745	75	820
Additions	154	-	154
Disposals	(90)	-	(90)
Exchange differences	(6)	-	(6)
At 31 December 2021	803	75	878
Additions	-	42	42
Disposals	-	-	-
Exchange differences	10	-	10
At 31 December 2022	813	117	930
Accumulated depreciation:			
At 1 January 2021	196	34	230
Charge for year	153	21	174
Disposals	(83)	-	(83)
Exchange differences	(2)	-	(2)
At 31 December 2021	264	55	319
Charge for the year	149	23	172
Disposals	-	-	-
Exchange differences	2	-	2
At 31 December 2022	415	78	493
Carrying amount:			
At 31 December 2021	539	20	559
At 31 December 2022	398	39	437

On adoption of IFRS 16 as at 1 January 2019, the group recognised, as right of use assets and additional lease liabilities, leases that were previously classified as ‘operating leases’ under IAS 17: Leases. The liabilities were measured at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates as of 1 January 2019. The right of use assets comprise agricultural land held under a licence to occupy and warehousing, office facilities and cars held under lease.

12 Coal development

	2022	*2021*
	£'000	*£'000*
Beginning of year	2,181	*2,080*
Additions	692	*104*
Amortisation	-	*-*
Exchange differences	59	*(3)*
End of year	2,932	*2,181*

Coal development represents the cost of acquisition of rights to explore and extract coal from coal prospects in East Kalimantan against payment of agreed royalties together with subsequent expenditure on the evaluation of the concessions. Costs relating to a coal concession that the group has started to mine are included within property, plant and equipment (see note 10).

13 Investments

	2022	*2021*
	£'000	*£'000*
Trade investments at fair value:		
Unquoted shares	68	*65*
	68	*65*

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

14 Biological assets

	2022	*2021*
	£'000	*£'000*
Carrying amount at beginning of year	4,911	*4,848*
Net biological gain	1,176	*140*
Exchange differences	322	*(77)*
Carrying amount at end of year	6,409	*4,911*
Net biological gain / (loss) comprises:		
Gain / (loss) arising from changes in fair value attributable to physical changes	828	*(299)*
Gain arising from changes in fair value attributable to price changes	348	*439*
	1,176	*140*

The nature of the group's biological assets and the basis of determination of their fair value is explained under "Biological assets" in note 1 above. Risks relating to agricultural activities are disclosed under "Risks and uncertainties" in the Strategic report. Substantially all biological assets comprise sisal growing produce. Biological assets are classified as level 3 in the fair value hierarchy.

15 Inventories

	2022	*2021*
	£'000	*£'000*
Agricultural (sisal)	3,968	*2,608*
Engineering and stores	2,645	*2,039*
Trading stocks	4,093	*4,350*
	10,706	*8,997*

Trading stocks comprise physical commodities that are held by the group for trading purposes at port of origin or in transit.

16 Trade and other receivables

	2022	*2021*
	£'000	*£'000*
Trade - due from sale of goods (including related parties: £nil; 2021: £nil)	2,932	*2,832*
Prepayments	5,325	*3,988*
Deposits and other receivables	975	*1,373*
Related parties	4,310	*5,828*
	13,542	*14,021*

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The average credit period is 18 days (2021: 21 days).

Related party receivables comprise balances of £4,310,000 (2021: £5,828,000) due from Emba Holdings Limited. See note 30.

17 Borrowings and lease liabilities

	2022	*2021*
	£'000	*£'000*
Bank loans	768	*1,215*
Bank overdrafts	1,052	*481*
Other loan	92	*80*
Lease liabilities (see note 11)	477	*593*
Redeemable preference shares (see note 23)	-	*-*
Loan notes	4,000	*4,000*
	6,389	*6,369*

The bank loans and overdrafts are denominated in Kenyan and Tanzanian shillings (carrying interest at annual rates of 12 and 16 per cent) and US dollars and euros (carrying interest at annual rates of 8 and 3 per cent) and are secured by first legal charges and debentures over certain assets. The carrying value of the assets subject to such charges was £32,236,000 (2021: £38,363,000).

The loan notes comprise £4,000,000 nominal of 9.5% sterling notes 2024 which were issued for cash on 4 August 2021 by way of a placing at par with institutional investors. The notes carry interest at 9.5 per cent per annum, payable by two equal half yearly instalments on 30 June and 31 December 2021, are redeemable on 30 June 2024 and are unsecured. The notes are admitted to trading on the International Securities Market of the London Stock Exchange.

17 Borrowings and lease liabilities continued

	2022	*2021*
	£'000	*£'000*
The borrowings and lease liabilities are repayable as follows:		
Within one year	1,671	*1,078*
In the second year	4,529	*680*
In the third to fifth years inclusive	152	*4,458*
After five years	37	*153*
	6,389	*6,369*
Less: Amount due for settlement within twelve months (shown under current liabilities)	(1,671)	*(1,078)*
Amount due for settlement after twelve months	4,718	*5,291*

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 £7,372,000 (2021: £7,409,000).

Lease liabilities are payable as follows:	£'000	*£'000*
Within one year	127	*126*
In the second year	160	*244*
In the third to fifth years inclusive	171	*176*
After five years	19	*46*
	477	*593*

Interest incurred on lease liabilities during the year amounted to £33,000 (2021: £33,000) (see note 5) and principal payments in respect of lease liabilities to £179,000 (2021: £162,000).

At 31 December 2022, the group had outstanding short term lease obligations amounting to £23,000 (2021: £27,000). The lease expenditure charged to profit and loss account in respect of short term leases during the year amounted to £14,000 (2021: £14,000) (see note 3).

18 Net cash and cash equivalents

	2022	*2021*
	£'000	*£'000*
Net cash and cash equivalents for the purposes of cash flow comprises:		
Cash and cash equivalents	6,682	*7,629*
Bank overdrafts	(1,052)	*(481)*
	5,630	*7,148*

19 Financial policies and instruments

The group manages as capital its debt, which includes the borrowings and cash and cash equivalents disclosed in notes 17 and 18 and equity attributable to shareholders of the parent, comprising issued ordinary and irredeemable preference share capital, reserves and retained earnings as disclosed in notes 23 to 27. The group is not subject to externally imposed capital requirements.

The group's policies and objectives in managing its capital were unchanged in 2022 from 2021. In such management, the group seeks to maintain a prudent balance between debt and equity while providing returns on equity commensurate with the equity component of capital and the risks assumed by the group.

Net cash and equity	2022 £'000	*2021* *£'000*
Net cash and equity at the balance sheet date were as follows:		
Total debt	(6,389)	*(6,369)*
Cash and cash equivalents	6,682	*7,629*
Net cash	293	*1,260*
Equity (including minority interests)	61,142	*55,484*

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.

Forward contracts for purchase and sale of physical commodities entered into by the group's trading operations may be settled net for cash. Accordingly, such contracts are treated as derivative financial instruments.

Non-derivative financial instruments are carried at amortised cost. Derivative financial instruments are measured at fair value through profit and loss account.

19 Financial policies and instruments continued

Categories of financial instruments

Non-derivative financial assets as at 31 December 2022 comprised investments, receivables and cash and cash equivalents held at amortised cost amounting to £14,967,000 (2021: £17,727,000).

Non-derivative financial liabilities as at 31 December 2022 comprised bank borrowings and lease liabilities trade and other payables held at amortised cost amounting to £9,087,000 (2021 s: £9,651,000).

Derivative financial assets at 31 December 2022 comprised fair value gains on instruments consisting of contracts for the forward sale and purchase of physical commodities and currencies held at fair value through profit and loss account amounting to £1,148,000 (2021: £961,000).

Derivative financial liabilities at 31 December 2022 comprised fair value losses on instruments consisting of contracts for the forward sale and purchase of physical commodities and currencies held at fair value through profit and loss account amounting to £324,000 (2021: £103,000).

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 financial market risk, commodity price 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 and 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.

Financial market risk

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

The group regards the currencies of the countries in which its operating businesses are located as the functional currencies of those businesses. Within the group's trading operations the group has trading transactions in sterling, euros and certain other currencies.

The group has borrowings for the purposes of its trading operations in US dollars, sterling and euros. Elsewhere, where possible, the group borrows either in the functional currencies of the operations that borrowings are financing or in US dollars. Within the trading operations, the group enters into forward foreign exchange contracts to cover foreign currency exposures on all trading transactions that are not back-to-back in the same currency and also enters into forward foreign exchange contracts to sell for sterling its net non-sterling trading income after allowing for any interest and other costs payable in foreign currencies. Outside the trading operations, the group does not normally hedge its non-functional currency borrowings, its revenues or the minority of costs that arise in non-functional currencies.

19 Financial policies and instruments continued

Financial market risk continued

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.

	2022	*2021*
	£'000	*£'000*
Profit before tax:		
Euro	27	*43*
Indonesian rupiah	(2)	*(14)*
Kenyan shillings	43	*17*
Tanzanian shillings	4	*(11)*
US dollars	1,288	*(28)*
Equity:		
Euro	20	*31*
Indonesian rupiah	(703)	*(580)*
Kenyan shillings	(550)	*(464)*
Tanzanian shillings	(422)	*(323)*
US dollars	#REF!	*(181)*

The group is exposed to interest rate risk in respect of its borrowings at floating rates of interest. As a general policy, the group does not hedge its exposure to movements in such rates. A 1 per cent increase in interest applied to those financial instruments that carry interest at floating rates listed in the table of book values and fair values of financial instruments shown under 'Details of non-derivative financial instruments' below would have resulted over a period of one year in a reduction in profit before taxation for the year ended 31 December 2022 of £11,000 (2021: £11,000).

Commodity price risk

The group is exposed to commodity price risk in its agricultural, coal and trading operations. As respects the agricultural and coal operations, movements in commodity prices will affect the group's revenues. As a general policy, the group does not hedge such exposure. As respects the trading operations, the group enters into contracts for the forward purchase and sale of physical commodities at fixed prices. Where possible, and to limit risk, such forward purchases and sales are contracted on a matched basis.

Since the coal and abaca operations were not in production during 2022 or the preceding year, higher or lower average prices for coal and abaca during those years would have had no effect on the results reported by the group.

19 Financial policies and instruments continued

Commodity price risk continued

The table below details the forward contracts for the purchase and sale of physical commodities that were unmatched at the balance sheet date. The amounts stated represent the contractual payments due, by or to the group, on a free on board basis, at port of origin:

	2022	*2021*
	£'000	*£'000*
Purchases	6,676	*5,777*
Sales	2,091	*3,917*

A 5 per cent adverse movement in the market values of all the physical commodities comprised in the above contracts would have resulted in a reduction in profit before taxation for the year ended 31 December 2022 of £438,000 (2021: £485,000) and a reduction in equity of £355,000 (2021: £393,000).

Credit risk

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

Sales relating to the group's trading operations are normally made on the basis of cash against documents through a bank, on an alternative secured basis or with credit insurance cover. Other sales are made only after assessment of the creditworthiness of the prospective customer or on a prepayment basis. The group does not have significant credit risk exposure to any single counterparty. Forward foreign exchange contracts are made only with banks with strong credit ratings.

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.

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 17.

Details of non-derivative financial 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 (or equivalent).

19 Financial policies and instruments continued

	Weighted average interest rate	Under 1 year £'000	Between 1 and 2 years £'000	Over 2 years £'000	Total £'000
2022					
Bank loans and overdrafts:					
US dollar overdraft	7%	111	-	-	111
Kshs overdraft	12.25%	918	-	-	918
Tshs overdraft	16%	167			
US dollar loan	8%	155		-	155
Euro loan	3%	299	11	-	310
Kshs loan	15.5%	19	-	120	139
Trade and other payables		4,670	299	-	4,969
Loan notes	9.5%	380	4,380	-	4,760
		6,719	4,690	120	11,362
2021					
Bank loans and overdrafts:					
US dollar overdraft	7%	114	-	-	114
US dollar loan	8%	335	-	-	335
Euro loan	3%	284	326	667	1,277
Kshs loan	15.5%	-	-	208	208
Trade and other payables		5,394	-	-	5,394
Redeemable preference shares	9.5%	380	380	4,190	4,950
		6,507	706	5,065	12,278

At 31 December 2022, the group's non-derivative financial assets (other than receivables) comprised cash and deposits of £6,682,000 (2021: £7,629,000) most of which were on short term deposit with banks.

The following table provides an analysis of the book values and fair values of the group's non-derivative financial instruments as at the balance sheet date excluding receivables and payables. Such financial instruments are all classified as level 1 in the fair value hierarchy . No reclassifications between levels in the fair value hierarchy were made during 2022 (2021: none).

	2022 Book value £'000	2022 Fair value £'000	*2021 Book value £'000*	*2021 Fair value £'000*
Cash and deposits *	6,682	6,682	*7,629*	*7,629*
Bank debt and lease liabilities - within one year *	(1,671)	(1,671)	*2,922*	*2,922*
Bank debt and lease liabilities - after more than one year*	(718)	(718)	*(5,291)*	*(5,291)*
Loan notes	(4,000)	(4,000)	(4,000)	(4,000)
Net amount	293	293	*1,260*	*1,260*

* bearing interest at floating rates

The fair values of cash and deposits, bank debt, lease liabilities and loan notes approximate their carrying values since these carry interest (or equivalent) at current market rates.

19 Financial policies and instruments continued

Details of derivative financial instruments

The following table details the group's derivative financial liabilities and assets as at the balance sheet date.

	2022	*2021*
	£'000	*£'000*
Liabilities (representing fair value losses):		
Contracts for the forward sale and purchase of physical commodities	220	*88*
Contracts for the forward sale and purchase of foreign currencies	104	*15*
	324	*103*
Assets (representing fair value gains):		
Contracts for the forward sale and purchase of physical commodities	1,148	*830*
Contracts for the forward sale and purchase of foreign currencies	-	*131*
	1,148	*961*

The contractual amounts payable to or receivable from counterparties for the forward purchase and sale of commodities as at the balance sheet date were as follows:

	2022	*2021*
	£'000	*£'000*
Purchases	9,627	*11,344*
Sales	10,175	*14,701*

The contractual amounts payable to or receivable from counterparties for the forward purchase and sale of foreign currencies as at the balance sheet date were as follows:

	2022	*2021*
	£'000	*£'000*
Purchases	983	*2,211*
Sales	8,394	*8,844*

All contracts for the forward purchase and sale of physical commodities and foreign currencies have a maturity of less than one year. The fair value cash flows in respect of such contracts approximate the contractual amounts receivable and payable.

Derivative financial instruments compising forward purchases and sales of foreign currency are classified as level 1 in the fair value hierarchy. Other derivative financial instruments are classified as level 2 and are valued by reference to known prices for recent comparable transactions. No reclassifications between levels in the fair value hierarchy were made during 2022 (2021: none).

20 Deferred tax	2022	*2021*
	£'000	*£'000*
Deferred tax liabilities	(4,707)	*(4,069)*
Deferred tax assets	99	*68*
Net position	(4,608)	*(4,001)*

20 Deferred tax

continued

	Biological assets	Accelerated depreciation	Provisions	Defined benefit scheme	Acquisition of subsidiary	Right of use assets and leases	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	(1,455)	(3,248)	908	(117)	(98)	5	(4,005)
Credit / (charge) to income	(42)	(71)	50	(34)	37	1	(59)
Charge to equity	-	-	-	2	-	-	2
Rate change - income	-	-	-	-	-	-	-
Rate change - equity	-	-	-	-	-	-	-
Exchange differences	23	49	(16)	5	-	-	61
At 31 December 2021	(1,474)	(3,270)	942	(144)	(62)	7	(4,001)
(Charge) / credit to income	(353)	(100)	69	(24)	37	6	(365)
Credit to equity	-	-	-	38	-	-	38
Rate change - income	-	-	-	-	-	-	-
Rate change - equity	-	-	-	-	-	-	-
Exchange differences	(97)	(233)	55	(5)	-	-	(280)
At 31 December 2022	(1,924)	(3,603)	1,066	(135)	(25)	13	(4,608)

Tax losses of £8,191,000 (2021: £5,078,000) are being carried forward of which £8,108,000 (2021: £4,987,000) 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 £3,929,000 (2021: £3,566,000). No liability has been recognised in respect of these differences because the group is in a position to control the reversal of the temporary differences and it is probable that such differences will not significantly reverse in the foreseeable future.

21 Provisions

	2022	*2021*
	£'000	*£'000*
Provisions	2,336	*2,139*

Provisions relate to staff retirement benefits. These are awarded to unionised employees in East Africa (provision of £2,253,000; 2021: £2,042,000) and to staff in Indonesia (provision of £83,000; 2021: £96,000) after completion of a qualifying period of service and are payable upon termination of employment or retirement. The movements on provisions for staff retirement benefits were as follows:

	2022	*2021*
	£'000	*£'000*
Beginning of year	2,138	*2,055*
Charged to consolidated income statement	364	*392*
Other comprehensive income	(50)	*(9)*
Utilised during the year	(216)	*(254)*
Translation adjustment	100	*(46)*
End of year	2,336	*2,138*

22 Trade and other payables

	2022	*2021*
	£'000	*£'000*
Trade purchases and ongoing costs (including related parties: £nil; 2021: £nil)	1,357	*2,591*
Accruals	1,135	*1,428*
Other payables (including related parties £nil; 2021: £nil)	1,341	*691*
	3,833	*4,710*

The average credit period taken on trade payables is 12 days (2021: 27 days). The directors estimate that the fair value of the other payables approximates their carrying value.

23 Share capital

	2022	*2021*
	£'000	*£'000*
Issued, called up and fully paid:		
6,102,000 (2021: 6,102,000) ordinary shares of £1 each	6,102	*6,102*
600,000 (2021: 600,000) 10% Irredeemable preference shares of £1 each	600	*600*
	6,702	*6,702*

The rights attaching to the ordinary shares and the 10 per cent irredeemable preference shares are summarised in note (vii) to the company's individual financial statements.

24 Share premium

	2022	*2021*
	£'000	*£'000*
Beginning of year	12,285	*12,285*
Movement during the year	-	-
End of year	12,285	*12,285*

25 Capital redemption reserve

	2022	*2021*
	£'000	*£'000*
Beginning of year	2,000	-
Movement during the year (note 27).	-	*2,000*
End of year	2,000	*2,000*

The capital redemption reserve arose during 2021 on the redemption of the former 10% redeemable preference shares of the company.

26 Translation reserve

	2022	*2021*
	£'000	*£'000*
Beginning of year	(3,417)	*(2,879)*
Exchange differences arising on translation of overseas operations (net of amount booked to non-controlling interests - see note 28)	1,569	*(538)*
End of year	(1,848)	*(3,417)*

27 Retained earnings

	2022	*2021*
	£'000	*£'000*
Beginning of year	37,174	*37,432*
Transfer to capital redemption reserve (note 25)	-	*(2,000)*
Partial acquisition of non controlling interest in subsidiary	(2)	*13*
Profit for the year	4,487	*1,843*
Remeasurement of net defined benefit scheme asset	(70)	*(4)*
Dividends of £1 per share to preference shareholders (2021: £1 per share)	(60)	*(60)*
Dividends to ordinary shareholders	(200)	*(50)*
End of year	41,329	*37,174*

The dividend paid per ordinary share amounted to £0.033 (2021: £0.008).

28 Non-controlling interests

	2022	*2021*
	£'000	*£'000*
Beginning of year	740	*904*
Share of subsidiary company results for the year	(56)	*(5)*
Share of remeasurement of net defined benefit scheme asset	(4)	*-*
Dividends paid to non-controlling shareholders in subsidiary	(51)	*(125)*
Partial acquisition of non-controlling interest in subsidiary	(10)	*(18)*
Exchange translation differences	55	*(16)*
End of year	674	*740*

Non controlling interests comprise external shareholdings of 3 per cent in REA Vipingo Plantations Limited and of 5 per cent in each of PT Robindo Natayara and PT Spice Islands Maluku. These companies have their principal places of business in, respectively, Kenya, Indonesia and Indonesia.

29 Defined benefit schemes

<u>Kenya</u>

A subsidiary company in Kenya 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.

29 Defined benefit schemes continued

Kenya continued

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.

	2022	*2021*
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	10%	*10%*
Future salary increases	9%	*8%*
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	(557)	*(497)*
Current service cost net of employer contributions	13	*11*
Interest on obligation	290	*284*
Expected return on scheme assets	(93)	*(445)*
Net actuarial (gain) / loss recognised in the year	39	*(358)*
Contributions paid	(37)	*(35)*
Change in effect of asset ceiling	(153)	*470*
Exchange translation differences	(19)	*13*
	(517)	*(557)*

The amount included in the balance sheet is derived as follows:		
Present value of defined benefit obligations	2,447	*2,071*
Fair value of scheme assets	(3,409)	*(3,204)*
Effect of asset ceiling	444	*576*
Asset recognised in balance sheet	(517)	*(557)*

It is expected that contributions payable in 2023 will be similar to those paid in 2022.

A 1 per cent reduction in the discount rate applied would have changed the present value of the defined benefit obligations at 31 December 2022 to £2,436,000 (2021: £2,070,000). The sensitivity to salary escalation would be broadly similar. The weighted average duration of the liability at the same date was 0.4 years (2021: 0.2 years).

The group contributes to a defined benefit scheme for certain non-unionised employees. The contribution to this scheme during the year amounted to £50,000 (2021: £38,000) which has been charged against income.

United Kingdom

A subsidiary company is a participating employer in the R.E.A Pension Scheme (the "Scheme"). The Scheme is a multi-employer contributory defined benefit scheme with assets held in a trustee-administered fund, which has participating employers that are not members of the group. The Scheme is closed to new members.

29 Defined benefit schemes continued

United Kingdom continued

As the Scheme is a multi-employer scheme in which the employers are unable to identify their respective shares of the underlying assets and liabilities (because there is no segregation of the assets) and does not prepare valuations on an IAS 19 basis: the group accounts for the Scheme as if it were a defined contribution scheme.

A non-IAS 19 valuation of the Scheme was last prepared, using the attained age method, as at 31 December 2020. This method had been adopted in the previous valuation as at 31 December 2017 and in earlier valuations, as it was considered the appropriate method of calculating future service benefits as the Scheme is closed to new members. At 31 December 2020 the Scheme had an overall shortfall of assets, when measured against the Scheme's technical provisions of £2,200,000, although when the actuarial valuation was signed in August 2021 there had been a substantial improvement and there was an estimated surplus of £1,000,000. The technical provisions were calculated using assumptions of an investment return of Bank of England ("BofE") gilt curve plus 1.25 per cent per annum reducing to 0.25 per cent over the 10 years following the valuation date.. The basis for the inflationary revaluation of deferred pensions and increases to pensions in payment was changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) with effect from 1 January 2011 in line with the statutory change, except that the change does not apply to pension accrual from 1 January 2006, where the RPI still applies. The rates of increase in the RPI were assumed to be in line with the BofE inflation curve and in the CPI to be at RPI less 0.75 per cent until 2030 and at RPI thereafter. It was further assumed that both non-retired and retired members' mortality would reflect SP3XA tables (light version) at 100 per cent and that non-retired members would take on retirement the maximum cash sums permitted from 1 January 2021. Had the Scheme been valued at 31 December 2020 using the projected unit method and the same assumptions, the overall deficit would have been similar.

The Scheme has agreed a statement of funding principles with the principal employer and has also agreed a schedule of contributions with participating employers covering normal contributions which are payable at a rate calculated to cover future service benefits under the Scheme.

(2021: 41.4 per cent) of pensionable salaries; in addition, a discretionary contribution of £1,000 was made in 2022 (2021: £1,000) to fund an inflation adjustment to pensions in payment relating to pre-1997 accrued entitlements (which would not otherwise have been subject to full indexation). Under the valuation as at 31 December 2017, normal contributions will continue at the increased rate of 41.4 per cent of pensionable salaries until 31 December 2021. Normal contributions for 2023 are expected to be £56,000 and the discretionary element for 2023 is expected to be £2,000.

There are no agreed allocations of any surplus on either wind up of the Scheme or on any participant's withdrawal from the Scheme.

The sensitivity of the deficit as at 31 December 2020 to variations in certain of the principal assumptions underlying the actuarial valuation as at that date is summarised below:

	Increase in deficit £'000
Decrease in post-retirement investment returns by 0.1 per cent per annum	(613)
Increase inflation by .1 per cent per annum	(272)
Increase in long term rate of mortality by .25 per cent	(340)

Certain UK group employees who are not eligible to participate in the Scheme receive payments into their own defined contribution private pension plans. The total paid for 2022 was £52,000 (2021: £49,000).

30 Related party transactions

	2022	*2021*
	£'000	*£'000*
Remuneration of key management personnel		
The remuneration of the directors, who are the key management personnel of the group, was as follows:		
Salaries	101	*151*
Social security costs	11	*18*
Pension costs	-	*-*
	112	*169*
Other dealings with related parties		
Income:		
Fees from New Willington Limited	-	*158*
Interest receivable from Emba Holdings Limited	167	*113*
Interest receivable from R.E.A. Holdings plc	24	*190*
Closing balances:		
Due from Emba Holdings Limited	4,310	*5,828*
Due from R.E.A. Holdings plc	-	*-*

During the year, the company had outstanding loans to R.E.A. Holdings plc. The maximum amount loaned was £0.4 million (2021: £3.0 million)

The entire issued share capital of the company is beneficially owned by Richard and Jeremy Robinow (as to a half interest each). New Willington Limited and Emba Holdings 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. Richard and Jeremy Robinow are considered to have significant influence in relation to R.E.A. Holdings plc in which Emba Holdings Limited owns 30 per cent of the issued ordinary share capital and of which Richard Robinow is a director.

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.

31 Subsidiary exempt from audit

The company has guaranteed its subsidiary REAT Services Limited under section 479C of the Companies Act 2006 in respect of 2022. As a result, by virtue of section 479A of the Companies Act 2006, REAT Services Limited (registered number 13404928), is exempt from the requirement to have an audit of its individual 2022 financial statements and has elected to take advantage of that exemption.

32 Post balance sheet events

Continuation of war in Ukraine

Whilst the group is not directly affected by the war in Ukraine, the group may experience some indirect impact from the war's effect on world economic conditions but the consequences should be limited.

Ordinary dividend

On 6 April 2023, a dividend of £100,000 (£0.016 per share) was paid to ordinary shareholders.

R.E.A. TRADING PLC
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2022

	Notes	2022 £'000	*2021 £'000*
Non-current assets			
Investments	(ii)	31,461	*28,202*
Current assets			
Trade and other receivables	(iii)	29,453	*24,167*
Cash at bank and in hand		2,024	*2,298*
		31,477	*26,465*
Current liabilities			
Trade and other payables	(iv)	(731)	*(121)*
		(731)	*(121)*
Net current assets		30,746	*26,344*
Creditors falling due after one year			
Deferred tax liabilities	(v)	-	*-*
Loan notes	(vi)	(4,000)	*(4,000)*
Net assets		58,207	*50,546*
Capital and reserves			
Equity share capital	(vii)	6,702	*6,702*
Share premium	(viii)	12,285	*12,285*
Capital redemption reserve	(ix)	2,000	*2,000*
Profit and loss account	(x)	37,220	*29,559*
Total shareholders' funds		58,207	*50,546*

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the company has not been presented. The profit before dividends recognised in the company's profit and loss account for 2022 is £7,921,000 (2021: £858,000).

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

The financial statements of R.E.A. Trading plc, registered number 88367, were approved and authorised for issue by the Board on 21 June 2023.

RICHARD ROBINOW
Director

R.E.A. TRADING PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £'000 *(note vii)*	Share premium £'000 *(note viii)*	Capital redemption reserve £'000 *(note ix)*	Profit and loss £'000 *(note x)*	Total equity £'000
At 1 January 2021	6,702	12,285	-	24,324	43,311
Total comprehensive income*	-	-	-	7,345	7,345
Transfer			2,000	(2,000)	-
Dividends on preference shares	-	-	-	(60)	(60)
Dividends on ordinary shares	-	-	-	(50)	(50)
At 31 December 2021	6,702	12,285	2,000	29,559	50,546
Total comprehensive income *	-	-	-	7,921	7,921
Dividends on preference shares	-	-	-	(60)	(60)
Dividends on ordinary shares	-	-	-	(200)	(200)
At 31 December 2022	6,702	12,285	2,000	37,220	58,207

**Total comprehensive income was the same as profit for the year*

General information

R.E.A. Trading plc is incorporated and domiciled in England and Wales under the Companies Act 2006 with registration number 88367. The company's registered office is at 5th Floor North, Tennyson House, 159-165 Great Portland Street, London W1W 5PA. Details of the company's principal activities are provided in the Strategic Report above.

Basis of accounting

The financial statements of the company (which are financial statements that are separate from the consolidated financial statements of the company and its subsidiaries) have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). As such the financial statements of the company do not comply with all the requirements of IFRS as adopted by the UK.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, impairment of assets and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of the group.

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year.

Going concern basis

The financial statements have been prepared on the going concern basis as the directors consider that there is a reasonable expectation that the company 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 company, and in particular the cash position shown, budgeted future income and expenditure, the risks and uncertainties faced by the company and the risk management policies adopted by the company.

Adoption of new and revised standards

There were no new or revised standards or interpretation that became mandatorily effective for an accounting period beginning 1 January 2022 that had an impact on the amounts reported or disclosures included in the financial statements.

At the date of authorisation of the financial statements, the standards and interpretations which were in issue but not yet effective and that have not been applied in these financial statements are set out below together with their effective years of implementation:

• Amendments to IAS 1 and IFRS 17: Classification of liabilities	2023
• Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies	2023
• Amendments to IAS 8: Definition of accounting estimates	2023
• Amendments to IAS 12: Recognition of taxable differences	2023

The directors do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the company's financial statements in future periods.

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.

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 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 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.

Impairment Review

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that any asset has suffered an impairment. 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). The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are charged to the profit and loss account immediately that they occur.

Investments in subsidiaries

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

Non derivative financial instruments

Non derivative financial instruments are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instruments. Non derivative financial assets comprise trade and other receivables held at amortised cost and cash and cash equivalents. Non derivative financial liabilities comprise bank borrowings, trade and other payables and redeemable instruments which are held at amortised cost.

Trade and other receivables

Trade and other receivables are non-interest bearing and are stated at their nominal amount reduced by appropriate allowance for potentially irrecoverable amounts.

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.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded as the proceeds received. Finance charges, including premia 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 non-interest bearing and are stated at their nominal value.

Redeemable instruments

Redeemable instruments (currently comprising an issue of loan notes) are classified in accordance with the substance of the relative contractual arrangements. Finance charges comprise the coupon payable and are charged to income on an accruals basis.

Equity instruments

Instruments are classified as equity instruments if the substance of the relative contractual arrangements evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs not charged to income.

(i) Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies which are set out in the "Accounting policies (Company)" 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 expectations 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.

Critical judgements

In the opinion of the directors, all critical judgements applied in the application of the company's accounting policies relate to the group's operations as disclosed in note 1 to the consolidated financial statements.

Key sources of estimation uncertainty

In addition to the key sources of estimation uncertainty affecting the group's operations as disclosed in note 1 to the consolidated financial statements, because the operations of the two subsidiary companies in Indonesia are not yet in production, their carrying values and the loans made to them by the company are a source of estimation uncertainty for the company. The recoverable amounts of the investments in and the loans to these subsidiaries are reviewed at each balance sheet date by reference to the implied values of their underlying net assets based on the estimated values of their interests in abaca and coal determined as detailed in note 1 to the consolidated financial statements which also describes the sensitivities of the implied values to the assumptions made. The aggregate carrying amount of, and loans to, the two subsidiaries at 31 December 2022 were, respectively, £7.2 million and £24.3 million.

(ii) Investments

	2022	*2021*
	£'000	*£'000*
Shares in subsidiary companies:		
Cost	31,461	*31,449*
Impairment provision	-	*(3,247)*
	31,461	28,202

	2022	*2021*
The movements during the year were:	£'000	*£'000*
At beginning of year	28,202	*25,278*
Additions	12	*6*
Impairment provision released	3,247	*2,918*
At end of year	31,461	*28,202*

Additions:		
23,008 shares (2021: 21,367 shares) in REA Vipingo Plantations Limited	12	*6*
	12	*6*

(ii) Investments continued

Impairment provision released of £3,247,000 (2021: £2,918,000) related to the company's investment in its subsidiary, PT Robindo Natayara ("Robindo") (2021: P.T. Spice Islands Maluku ("SIM")) and reflected the estimated recoverable amount of the investment at 31 December 2022 being in excess of the carrying value of the investment in Robindo of £3,247,000 (2021: carrying value of the investment in SIM of £3,208,000). The measurement of the recoverable amount of the investment in Robindo (2021: investment in SIM) was based on fair value less costs of disposal with the fair value being calculated by reference to the estimated underlying values and amounts of the assets and liabilities of Robindo (2021: SIM) , with that measurement falling within level 3 of the IFRS fair value hierarchy. The key assumptions relating to the valuations of the coal assets owned by Robindo (2021: abaca development owned by SIM) are disclosed in note 1 to the consolidated financial statements .

Subsidiaries

The directly owned subsidiaries at the year end are listed below. In all cases, ownership is of ordinary shares.

PT Robindo Natayara (incorporated in Indonesia)	Coal merchanting	95 per cent
PT Spice Islands Maluku (incorporated in Indonesia)	Plantations	95 per cent
REA Vipingo Plantations Limited (incorporated in Kenya)	Plantations	97 per cent
REAT Services Limited (incorporated in England & Wales)	Administrative services	100 per cent
Wigglesworth & Co. Limited (incorporated in England & Wales)	Soft fibres merchanting	100 per cent

The subsidiaries owned by subsidiaries at the year end are listed below. In all cases, ownership is of ordinary shares and represents the proportion of ownership attributable to the company.

Amboni Plantations Limited (incorporated in Tanzania)	Plantations	97 per cent
Amboni Spinning Mill Limited (incorporated in Tanzania)	Sisal spinning	97 per cent
Dwa Estate Limited (incorporated in Kenya)	Plantations	97 per cent
Wigglesworth Exporters Limited (incorporated in Kenya)	Sisal forwarders	97 per cent

The registered offices of the above companies (which are also their principal places of business) are as follows:

Amboni Plantations Limited: Plot 130509/12 Independence Avenue, PO Box 5023, Tanga, Tanzania
Amboni Spinning Mill Limited: Plot 42/9 Independence Avenue, PO Box 5023, Tanga, Tanzania
Dwa Estate Limited, REA Vipingo Plantations Limited and Wigglesworth Exporters Limited: 1st Floor, Block D, Wilson Business Park, PO Box 17648, Nairobi 00500, Kenya
PT Robindo Natayara and PT Spice Islands Maluku: Plaza 5, Pondok Indah Blok B01, Jalan Margaguna Raya, Jakarta Selatan 12140, Indonesia
REAT Services Limited, 5th Floor North, Tennyson House, 159-165 Great Portland Street, London W1W 5PA
Wigglesworth & Co. Limited, Nutmeg House, 60 Gainsford Street, London SE1 2NY

(iii) Trade and other receivables

	2022	*2021*
	£'000	*£'000*
Group companies (see note (xii))	24,529	*17,768*
Connected companies (see note (xii))	4,310	*5,828*
Other receivables	614	*571*
	29,453	*24,167*

(iv) Trade and other payables

	2022	*2021*
	£'000	*£'000*
Group companies (see note (xii))	323	-
Accruals	408	*121*
	731	*121*

(v) Deferred tax liability

	2022	*2021*
	£'000	*£'000*
At beginning of year	-	-
At end of year	-	-

There were no tax losses carried forward at 31 December 2022 (2021: £Nil).

(vi) Loan notes

	2022	*2021*
	£'000	*£'000*
At beginning of year	4,000	-
Issued during the year	-	*4,000*
At end of year	4,000	*4,000*

Loan notes issued by the company comprised £4 million nominal of 9.5 per cent loan notes 2024. The notes bear interest at the rate of 9.5 per cent per annum payable half yearly in arrears on 30 June and 31 December in each year and are redeemable on 30 June 2024. The notes are listed on the International Securities Market of the London Stock Exchange.

(vii) Share capital

	2022	*2021*
	£'000	*£'000*
Issued, called up and fully paid:		
6,102,000 Ordinary shares of £1 each (2021: 6,102,000)	6,102	*6,102*
600,000 10% Irredeemable preference shares of £1 each ("preference shares") (2021: 600,000)	600	*600*
	6,702	*6,702*

The 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 second preference 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 of capital on the ordinary shares.

(viii) Share premium

	2022	*2021*
	£'000	*£'000*
At beginning of year	12,285	*12,285*
At end of year	12,285	*12,285*

(ix) Capital redemption reserve

	2022	*2021*
	£'000	*£'000*
At beginning of year	2,000	*-*
Movement during the year (note x)	-	*2,000*
At end of year	2,000	*2,000*

The capital redemption reserve arose during the year on the redemption of the former first preference shares of the company.

(x) Profit and loss

	2022	*2021*
	£'000	*£'000*
At beginning of year	29,559	*24,324*
Transfer to capital redemption reserve (note ix)	-	*(2,000)*
Profit for the year	7,921	*7,345*
Dividends to preference shareholders: £1 per share (2021: £1)	(60)	*(60)*
Dividends to ordinary shareholders: £0.033 per share (2021: £0.008).	(200)	*(50)*
At end of year	37,220	*29,559*

(xi) Directors' emoluments

The company had no employees during the year (2021: no employees other than directors; average number of employees - 2).

	2022	*2021*
Directors' emoluments were as follows:	£'000	*£'000*
Salaries	-	*151*
Social security costs	-	*18*
Pension costs	-	*-*
	-	*169*
Emoluments of highest paid director	-	*100*

(xii) Related party transactions	2022	*2021*
	£'000	*£'000*
Income:		
Fees from REA Vipingo Plantations Limited	-	*31*
Fees from Wigglesworth & Co. Limited	-	*253*
Fees from New Willington Limited	-	*158*
Dividends from REA Vipingo Plantations Limited	1,814	*3,867*
Dividends from Wigglesworth & Co. Limited	1,400	*750*
Interest payable to REA Vipingo Plantations Limited	-	*(233)*
Interest receivable from PT Spice Islands Maluku	275	*272*
Interest receivable from Emba Holdings Limited	167	*113*
Interest receivable from R.E.A. Holdings plc	24	*190*
Closing balances:		
Due from group companies (see note (iii))		
REA Vipingo Plantations Limited	4	*10*
PT Robindo Natayara	4,540	*3,756*
PT Spice Islands Maluku	19,984	*14,002*
Due to group companies (see note (iv))		
REAT Services Limited	323	-
Due from connected companies (see note (iii))		
Emba Holdings Limited	4,310	*5,828*

The company is wholly owned by Richard and Jeremy Robinow (see note (xi)). The latter also own New Willington Limited and, with their immediate families, Emba Holdings Limited. REAT Services Limited, REA Vipingo Plantations Limited, PT Robindo Natayara, PT Spice Islands Maluku and Wigglesworth & Co. Limited are subsidiaries of the company. Richard and Jeremy Robinow are considered to have significant influence in relation to R.E.A. Holdings plc in which Emba Holdings Limited owns 30 per cent of the issued ordinary share capital and of which Richard Robinow is a director.

Fees receivable from REA Vipingo Plantations Limited, Wigglesworth & Co. Limited and New Willington Limited are in respect of administrative services.

Interest payable and receivable as shown above are in respect of loans of which the closing balances are noted above. Such interest is computed at normal commercial rates. Other related party loans did not bear interest. All loans are repayable on demand or within one year save that the loans to PT Robindo Natayara and PT Spice Islands Maluku are repayable by instalments over a period of several years. All loans are

Directors' emoluments are detailed in note (xi).

(xiii) Controlling party

At the balance sheet date, the company was owned by Richard Robinow and Jeremy Robinow, as to a half interest each.

(xiv) Post balance sheet events

Continuation of war in Ukraine

Whilst the group is not directly affected by the war in Ukraine, the group may experience some indirect impact from the war's effect on world economic conditions but the consequences should be limited.

Ordinary dividend

On 6 April 2023, a dividend of £100,000 (£0.016 per share) was paid to ordinary shareholders.