

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

The company's registered number is 88367

**R.E.A. TRADING LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**Principal activities and business review**

The main activity of R.E.A. Trading Limited (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 principally 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 two 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 is principally engaged in the distribution 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 2019 was 15,385 hectares (2018: 15,573 hectares). The volume of sisal fibre produced at 20,014 tonnes was 4.0 per cent up on the production of the previous year (19,137 tonnes). Prices remained at good levels but operating costs were higher particularly as respects employment costs.

The Tanga spinning mill produced 2,521 tonnes of yarns and ropes (2018: 2,452 tonnes). International markets for spun fibre remained under pressure but demand from regional markets remained strong so that regional sales were able to compensate for reduced international sales volumes.

The seed business of the Kenyan horticultural division saw further substantial growth. Baby corn sales were at times erratic but continued to produce a contribution.

Construction of the new biomass plant on the Dwa estate in Kenya proceeded well during the year but there have been some delays in completing the plant. As a result of the Covid-19 epidemic, key specialist engineers from outside Kenya needed to commission the plant have been unable to travel to Kenya and commissioning will now be delayed until the Kenyan Covid-19 lockdown is lifted. Once the biomass plant becomes operational Dwa will not only be self-sufficient in power but will also have a new income stream from the sale of surplus power to Kenya Power and Lighting Company Limited.

The commodity trading business continued to trade principally in sisal and sisal products with sisal and sisal products accounting for some 75 per cent of the business's sales. Sales of sisal and sisal products remained well spread geographically with China the largest destination accounting for 37 per cent of volumes.

Prices for African sisal stayed steady during 2019 and were largely unchanged from the previous year but pricing levels for Brazilian sisal were impacted by fluctuations in the exchange rate of the Brazilian real against the US dollar. Prices for abaca firmed on strong demand in the first half of 2019 and then stabilised at higher levels in the second half.

During the year, the group continued to develop its new abaca plantation in Indonesia. Substantial further investment was made in securing land rights, procurement of seedlings, establishment of a nursery and initial land clearing and planting. Development is planned to continue during 2020 but, in view of constraints arising from the Covid-19 pandemic, at a slower rate than originally hoped. As a result, first crops must now be expected in 2021. It has been agreed that all abaca production from the abaca project will be marketed by the group's commodity trading business.

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**Principal activities and business review** continued

Coal prices remained depressed during 2019 and mining operations at the group's two coal concessions remained suspended. Nevertheless, the group continued to invest in understanding the geology of the concessions and this should facilitate resumption of production when coal prices permit this.

Operating profit for the year amounted to £4,398,000 against £4,028,000 for 2018. The increase principally reflected a full year's contribution from the group's commodity trading business which in the preceding year was consolidated only for some four months following its acquisition in September 2018. Profit before tax amounted to £4,703,000 (2018: £12,126,000). The reduction reflects the fact that in 2018, the group benefited from an exceptional profit from land sales amounting to £7,231,000.

At 31 December 2019, shareholders' funds amounted to £54.4 million against £52.4 million at 31 December 2018. Net indebtedness was £nil (2018: £nil).

Against the background of the Covid-19 pandemic, the outlook is challenging and uncertain. The group has been fortunate in that none of its activities has had to be suspended as a result of the pandemic. However, operations have been and remain subject to some constraints. To-date, the group has remained profitable and this should continue but profits reported for 2020 must be expected to be below what the group would regard as a normal level.

**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 facilities 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 18 to the consolidated financial statements.

In particular, the directors have had regard to the uncertainties created by the Covid-19 pandemic 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 current economic and business environment including the impact of the Covid-19 pandemic. The directors are satisfied that such considerations 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 that the directors currently deem immaterial, or of which they are unaware, that may have a material adverse impact on the group.

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**Risks and uncertainties** continued

In addition to the risks that have long been normal aspects of its business, the group faces potential impacts from the Covid-19 pandemic. This pandemic is unprecedented in modern times and therefore there are no precedents against which the risks that it entails can be assessed. At this juncture, the impact on the group has been limited to working constraints that have caused some loss of sisal production and have complicated the logistics of office administration. The financial consequences of such constraints has been limited. Potential further consequences of Covid-19 could include adverse effects on employee health and inability to make deliveries of sisal and traded products. The group should be able to withstand such adverse effects for a limited period but could not do so indefinitely.

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.

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 do not expect that any of the various possible outcomes to the current discussions on the termination of UK membership of the European Union will materially affect the group.

The directors have considered the potential impact on the group of global climate change. Both sisal and abaca are agricultural commodities and as such 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.

Agricultural activities

Agricultural factors

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

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**STRATEGIC REPORT**  
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**Risks and uncertainties** continued

**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.

**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 18 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.

Coal activities

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 remain depressed.

Trading operations

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 respect planted hectareage, agricultural and spun fibre outputs, operating profits and shareholders' funds.

**R.E.A. TRADING LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**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 cover 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 decortivating 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 working with the Rainforest Alliance with a view to obtaining 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 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.

The company 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.

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

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, all board decisions are agreed by both its directors who are also its members.

First Floor  
32-36 Great Portland Street  
London W1W 8QX  
14 September 2020

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

**R.E.A. TRADING LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the audited financial statements for the year ended 31 December 2019. The accompanying Strategic Report, which is incorporated by reference in this report, contains information regarding likely future developments in the business of group. There have been no significant events since 31 December 2019 that require disclosure.

Information about the use of financial instruments is given in note 18 to the consolidated financial statements

**Dividends**

Preference dividends paid in respect of 2019 totalled £60,000 (2018: £30,000). Holders of the preference shares waived their entitlements to dividends in respect of the period to 30 June 2018. No ordinary dividends were paid during the year (2018: interim ordinary dividend of £700,000). No final dividend is proposed (2018: £nil).

**Directors**

The directors holding office throughout the year were Richard Robinow and Jeremy Robinow.

**Directors' indemnities**

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

**Corporate governance**

The company is a private investment holding company of which the only employees are its two directors who together own the entire 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.

The directors work closely with the boards of the subsidiary companies heading the operating units within the group to ensure that those boards develop appropriate strategies designed to generate long-term sustainable value. For the large operating units, the directors encourage the appointment by the relevant subsidiary companies of external independent non-executive directors to provide independent oversight of the relevant units. Regular visits are made by the directors to each of the operating units and there are regular telephone discussions with the management and staff of each unit.

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 and is then approved by the directors. 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 by the directors. Considerable importance is attached to the maintenance of internal control and larger operating units have internal audit functions.

**R.E.A. TRADING LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**Corporate governance** continued

The directors attach 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 directors have always emphasised and continue 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 the ongoing Covid-19 pandemic, the group has provided support in response to the particular requirements of each location, including hand washing facilities, protective equipment, sanitisers and other relevant medical supplies.

The directors believe 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, the directors take 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**

Each director is conscious of his and the group's responsibility to its customers, suppliers and other stakeholders. There is a regular dialogue between group managers and 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.

**Auditor**

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

**Disclosure of information to auditor**

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

- So far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and

**R.E.A. TRADING LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Disclosure of information to auditor** continued

- 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.

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14 September 2020

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

**R.E.A. TRADING LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board  
R.E.A. SERVICES LIMITED  
Secretary  
14 September 2020

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
R.E.A. TRADING LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Opinion**

In our opinion:

- the financial statements of R.E.A. Trading Limited (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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 29 of the group and (i) to (xii) of the parent company.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**Basis of 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
R.E.A. TRADING LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

**Basis of opinion** continued

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.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

**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.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
R.E.A. TRADING LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

**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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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:

- 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 LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2019 (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.

COLIN RAWLINGS FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London (United Kingdom)

14 September 2020

**R.E.A. TRADING LIMITED**  
**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>Revenue</b>	3	53,618	34,660
Cost of sales		<u>(36,992)</u>	<u>(20,881)</u>
<b>Gross profit</b>		16,625	13,779
Net change in fair value of biological assets	14	(87)	(174)
Other operating income		257	213
Distribution costs		(954)	(855)
Administrative expenses		(11,376)	(8,903)
Other operating expenses		<u>(67)</u>	<u>(31)</u>
<b>Operating profit</b>	4	4,398	4,028
Investment revenue		359	881
Gain on disposal of land		-	7,231
Finance costs	6	<u>(54)</u>	<u>(14)</u>
Profit before tax		4,703	12,126
Tax	7	<u>(1,825)</u>	<u>(3,075)</u>
Profit for the year		<u><u>2,878</u></u>	<u><u>9,051</u></u>
Attributable to:			
Equity holders of the parent		2,791	8,777
Non-controlling interests		87	274
		<u><u>2,878</u></u>	<u><u>9,051</u></u>

All operations for both years are continuing

**R.E.A. TRADING LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £'000	2018 £'000
Profit for the year	<u>2,878</u>	<u>9,051</u>
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit scheme asset	4	(112)
Deferred tax thereon	-	33
	<u>4</u>	<u>(79)</u>
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	(820)	1,570
	<u>(820)</u>	<u>1,570</u>
Total comprehensive income for the year	<u><u>2,062</u></u>	<u><u>10,542</u></u>
Attributable to:		
Equity holders of the parent	2,003	10,207
Non-controlling interests	59	335
	<u>2,062</u>	<u>10,542</u>

**R.E.A. TRADING LIMITED**  
**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Goodwill	8	468	468
Intangible assets	9	709	967
Property, plant and equipment	10	27,188	20,415
Right of use assets	11	276	-
Coal development	12	2,701	1,820
Investments	13	75	77
Defined benefit scheme	27	541	480
Deferred tax assets	19	32	25
		<u>31,990</u>	<u>24,252</u>
<b>Current assets</b>			
Biological assets	14	4,980	5,183
Inventories	15	8,594	9,585
Trade and other receivables	16	19,945	13,627
Derivative financial assets	18	889	1,151
Cash and cash equivalents	17	2,149	12,631
		<u>36,556</u>	<u>42,177</u>
<b>Total assets</b>		<u>68,546</u>	<u>66,429</u>
<b>Current liabilities</b>			
Trade and other payables	21	(4,430)	(4,544)
Derivative financial liabilities	18	(36)	(58)
Current tax liabilities		(335)	(604)
Borrowings and lease liabilities	17	(514)	(218)
		<u>(5,315)</u>	<u>(5,424)</u>
<b>Non-current liabilities</b>			
Borrowings and lease liabilities	17	(1,029)	(823)
Deferred tax liabilities	19	(4,559)	(4,650)
Provisions	20	(2,196)	(2,063)
		<u>(7,784)</u>	<u>(7,536)</u>
<b>Total liabilities</b>		<u>(13,099)</u>	<u>(12,960)</u>
<b>Net assets</b>		<u>55,447</u>	<u>53,469</u>
<b>Equity</b>			
Share capital	22	6,702	6,702
Share premium account	23	12,285	12,285
Translation reserve	24	(24)	768
Retained earnings	25	35,439	32,691
		<u>54,402</u>	<u>52,446</u>
Non-controlling interests	26	1,045	1,023
<b>Total equity</b>		<u>55,447</u>	<u>53,469</u>

The financial statements were approved and authorised for issue by the Board on 14 September 2020 and are signed on its behalf.

RICHARD ROBINOW  
Director

**R.E.A. TRADING LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital  (note 22)	Share premium  (note 23)	Translation reserve  (note 24)	Retained earnings  (note 25)	Sub total	Non- controlling interests  (note 26)	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2017	4,202	15	(738)	24,726	28,205	874	29,079
Total comprehensive income	-	-	1,506	8,701	10,207	335	10,542
Dividend on ordinary shares				(700)	(700)	-	(700)
Dividend on preference shares				(30)	(30)	-	(30)
Dividend to non-controlling interests in subsidiary	-	-	-	-	-	(311)	(311)
Issue of new ordinary shares	2,500	12,270			14,770	-	14,770
Subscription of shares in subsidiary	-	-	-		-	144	144
Partial acquisition of non-controlling interests	-	-	-	(6)	(6)	(19)	(25)
At 31 December 2018	6,702	12,285	768	32,691	52,446	1,023	53,469
Total comprehensive income	-	-	(792)	2,795	2,003	59	2,062
Dividend on ordinary shares				-	-	-	-
Dividend on preference shares				(60)	(60)	-	(60)
Dividend to non-controlling interests in subsidiary	-	-	-	-	-	(17)	(17)
Partial acquisition of non-controlling interests	-	-	-	13	13	(20)	(7)
At 31 December 2019	6,702	12,285	(24)	35,439	54,402	1,045	55,447

**R.E.A. TRADING LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	£'000	£'000
<b>Operating activities</b>		
Operating profit	4,398	4,028
Depreciation of property, plant and equipment and right of use assets	2,718	2,313
Amortisation of intangible assets	258	-
Biological (gain) / loss	87	174
Gain on disposal of property, plant and equipment	(78)	(56)
Remeasurement of net defined benefit scheme asset	4	(79)
Exchange translation differences	(179)	(16)
Operating cash flows before movements in working capital	7,208	6,364
Decrease / (increase) in inventories	844	(261)
(Increase) / decrease in receivables	(6,173)	71
(Decrease) / increase in payables	(57)	51
Increase in defined benefit scheme asset	(77)	(67)
(Decrease) / increase in provisions	133	363
Cash generated by operations	1,878	6,521
Taxes paid	(2,093)	(2,365)
Interest paid (of which £15,000 in respect of lease liabilities (2018: £nil))	(54)	(14)
<b>Net cash from / (used in) operating activities</b>	(269)	4,142
<b>Investing activities</b>		
Investment revenues	359	881
Proceeds on disposal of property, plant and equipment	128	68
Proceeds on disposal of land held for sale	-	7,408
Purchases of property, plant and equipment and right of use assets	(10,096)	(6,878)
Coal development	(889)	(938)
Acquisition of subsidiary (note 2)	-	1,179
<b>Net cash from / (used in) investing activities</b>	(10,498)	1,720
<b>Financing activities</b>		
Dividends paid to shareholders	(60)	(730)
Dividends paid to non-controlling interests	(17)	(311)
Purchase of non-controlling interests in subsidiary	(7)	(25)
Share subscription by non-controlling interests	-	144
Repayment of lease liabilities (note 17)	(55)	-
Increase / (decrease) in borrowings	480	984
<b>Net cash from / (used in) financing activities</b>	342	62
<b>Net cash and cash equivalents</b>		
Net increase / (decrease) in cash and cash equivalents	(10,425)	5,924
Net cash and cash equivalents at beginning of year	12,574	6,498
Effect of foreign exchange rate changes	(167)	152
Net cash and cash equivalents at end of year (note 17)	1,982	12,574
<b>Movement in cash net of borrowings</b>		
Change in cash / borrowings resulting from cash flows:		
(Decrease) / increase in cash and cash equivalents	(10,425)	5,924
(Increase) / decrease in borrowings and lease liabilities	(425)	(984)
	(10,850)	4,940
Currency translation differences	(134)	152
Cash net of borrowings at beginning of year	11,590	6,498
Cash net of borrowings at end of year	606	11,590

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

### **ACCOUNTING POLICIES (GROUP)**

#### **Basis of accounting**

R.E.A. Trading Limited is a company incorporated in England and Wales under the Companies Act 2006 as a private company limited by shares with registration number 88367. The company's registered office is at First Floor, 32-36 Great Portland Street, London W1X 8QX. It is the parent company and ultimate holding company of a group of which the principal activities are described in the "Strategic report".

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

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

#### **Going concern**

The financial statements have been prepared on the going concern basis as the directors consider that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, the directors have had due regard to the current financial position of the group, and in particular the net cash position shown, the existing bank facilities 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 18 to the consolidated financial statements. In particular, the directors have considered the specific risks posed by the Covid-19 pandemic as detailed in the Directors' report.

#### **Adoption of new and revised standards**

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

- IFRS 16: Financial instruments
- Amendments to IAS 19: Plan amendment curtailment or settlement
- IFRIC 23: Uncertainty over income tax treatments
- Annual improvements to IFRSs (2015-17 cycle)

IFRS 16 specifies how an entity recognises, measures, presents and discloses leases and provides a single lease accounting model. This requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. As a result, the group has recognised, as right-of-use assets, rights conferring a right of use and, as lease liabilities, the corresponding obligations to make payments in respect of those rights.

Previously, the group determined at the beginning of a contract whether an arrangement was or contained a lease under IFRIC 4 "Determining whether an arrangement contains a lease". The group now assesses whether a contract is or contains a lease based on the new definition of a lease, which, under IFRS 16, is where a contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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

### **Adoption of new and revised standards** continued

On adoption of IFRS 16, the group recognised right-of-use assets and additional lease liabilities in relation to 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 rate as of 1 January 2019.

Prior to 2019 operating lease payments, including the effects of any lease incentives, were recognised in the income statement on a straight-line basis over the lease term.

On adoption of IFRS 16, The group has used the following practical expedients permitted by the standard:

- adjustment of right-of-use assets at the date of transition by the amount of provision for onerous leases recognised under IAS 37 immediately before that date as an alternative to performing an impairment review.
- election not to recognise as right-of-use assets, assets for which the lease term ends within twelve months of the date of transition.
- exclusion of initial direct costs from the measurement of right-of-use assets at the date of transition.

Arising from a review of the impact of IFRS 16 on existing accounting policies, payments to acquire leasehold interests in land that were formerly treated as prepaid operating lease rentals have been reclassified as property, plant and equipment with effect from 1 January 2019 and are depreciated (formerly amortised) over the periods of the leases. Prior year comparatives have been restated accordingly. This voluntary change in accounting policy was to avoid confusion as to the nature of leasehold land interests.

At the date of authorisation of these financial statements, the standards and interpretations which were in issue but not yet effective (and in certain cases had not yet been adopted by the EU) have not been applied in these financial statements) are set out below together with their effective years of implementation:

- |  |           |
|--|-----------|
| • IFRS 17: Insurance contracts   | 2022      |
| • Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate | To be set |
| • Amendments to IFRS 3: Definition of a business   | 2020      |
| • Amendments to IAS 1 and IAS 8: Definition of material  | 2020      |
| • Conceptual framework: Amendments of reference to the conceptual framework in IFRS standards            | 2020      |
| • Annual improvements to IFRSs (2015-2017 cycle)   | 2019      |

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

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

### **ACCOUNTING POLICIES (GROUP)**

#### **Basis of consolidation**

The consolidated financial statements consolidate those of the company and its subsidiary companies made up to 31 December each year, save that, as respects REA Vipingo Plantations Limited, financial statements made up to 30 September are consolidated. It would be impractical to prepare additional financial statements for REA Vipingo Plantations Limited to 31 December. There were no significant transactions affecting the financial position of REA Vipingo Plantations Limited in the period from 1 October to 31 December 2019.

Unless otherwise stated, the acquisition method of accounting has been adopted with assets and liabilities valued at fair value at the date of acquisition. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the subsidiary's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Results of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition to the effective date of disposal, as appropriate. Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

On acquisition 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.

The acquisition during the prior year of Willington Limited represented a common control transaction. The group elected to account for this acquisition using the acquisition method.

#### **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.

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

### **ACCOUNTING POLICIES (GROUP)**

#### **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 at the balance sheet date. Income and expenses are translated at the average rate for the period. 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.

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

### **ACCOUNTING POLICIES (GROUP)**

#### **Retirement benefits** continued

##### *Indonesia*

In accordance with local labour law, the group's employees in Indonesia and are entitled to lump sum 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 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.

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 defined contribution scheme, 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.

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

**Taxation** continued

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 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 is treated as growing produce and is accounted for as a biological asset.

**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.

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

**Property, plant and equipment** continued

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.

Subsequently, lease payments are allocated to the lease liability, split between repayments of principal and interest. A finance cost is charged to the profit and loss so as to produce a constant period rate of interest on the remaining balance of the lease liability.

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 asset's useful life on a straight line basis.

**Coal development**

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

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

### **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 their 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 profit or loss 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.

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

**Impairment of tangible and intangible assets (excluding goodwill)** continued

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 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 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.

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

### **ACCOUNTING POLICIES (GROUP)**

#### **Non derivative financial instruments** continued

##### *Bank borrowings and finance leases*

Bank borrowings and finance leases 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 borrowing and finance leases are recorded at the amounts of the proceeds received less subsequent repayments with the relative unamortised balance of costs treated as non-current receivables.

##### *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 merchandising 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 18 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 profit or loss account unless the derivative is designated and qualifies as a hedging instrument. A derivative that is not designated and effective as a hedging instrument is classified as held for trading.

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

**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.

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

**1 Critical accounting judgements and key sources of estimation uncertainty**

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

***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.

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.

***Key sources of estimation uncertainty***

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 independent 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 2019 by £634,000.

Inventories

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

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

**2 Corporate transactions**

There were no corporate transactions during 2019.

In the prior year, the company acquired the whole of the issued share capital of Willington Limited ("Willington") which, at the date of acquisition, served as a holding company for a single wholly owned subsidiary, Wigglesworth & Co., Limited ("Wigglesworth"), a London based merchant trading in sisal and other natural fibres and their products. Ownership of Wigglesworth was subsequently transferred from Willington to the company and all liabilities of Willington discharged. Willington has subsequently been placed in liquidation and its assets (consisting entirely of receivables from the company) have been distributed in specie to the company.

The consideration for the acquisition of Willington was satisfied by the issue, credited as fully paid, of 2,500,000 new ordinary shares of £1 each in the capital of the company. Incidental costs of acquisition of £89,000 were paid in cash.

<b>3 Revenue</b>	2019	2018
	£'000	£'000
Sales of goods	53,102	33,906
Revenue from provision of services	721	738
Gain on forward sale contracts treated as financial instruments	(205)	16
	<u>53,618</u>	<u>34,660</u>
Other operating income	257	213
Investment revenue	359	881
Total revenue	<u>54,233</u>	<u>35,754</u>

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.

<b>4 Operating profit</b>	2019	2018
	£'000	£'000
Operating profit has been arrived at after charging/(crediting):		
Net foreign exchange (gains) / losses	(156)	(169)
Depreciation of property, plant and equipment	2,662	2,313
Depreciation of right of use assets	56	-
Amortisation of intangible assets (charged within administrative expenses)	258	-
Operating lease payments	-	118
Short term lease payments	146	-
Cost of inventories recognised as an expense	2,911	(401)
(Gain) on disposal of property, plant and equipment	(78)	(56)
Staff costs (see note 5)	13,172	10,500
Auditor's remuneration for statutory audit services to the company	15	15
Amounts paid to Deloitte LLP for the audit of the financial statements of subsidiaries of the company pursuant to legislation	131	96
Amounts paid to Deloitte LLP for other services to the group in respect of taxation compliance	57	88

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

<b>5 Staff costs</b>	2019	2018
	Number	Number
The average number of persons employed was:		
East Africa	5,333	5,141
Indonesia	194	14
UK	15	7
	<u>5,527</u>	<u>5,162</u>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	12,277	10,013
Social security costs	637	462
Pension costs	258	25
	<u>13,172</u>	<u>10,500</u>

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

<b>6 Finance costs</b>	2019	2018
	£'000	£'000
Interest on bank loans and overdrafts	39	14
Interest on lease liabilities	15	-
	<u>54</u>	<u>14</u>

<b>7 Tax</b>	2019	2018
	£'000	£'000
Current tax:		
United Kingdom tax (net of double taxation relief of £8,000; 2018: £nil)	291	102
Foreign tax	1,527	2,853
Total current tax	<u>1,817</u>	<u>2,955</u>
Deferred tax:		
Current year deferred tax attributable to		
Remeasurement of biological assets	(26)	(52)
Accelerated depreciation	91	231
Remeasurement of provisions	(30)	(94)
Defined benefit scheme	25	35
Amortisation of intangible assets arising from prior year acquisition of subsidiary	(49)	-
Right of use assets and leases	(3)	-
Total deferred tax	<u>8</u>	<u>120</u>
Total tax	<u>1,825</u>	<u>3,075</u>

Taxation is provided at the rates prevailing for the relevant jurisdiction, which for the United Kingdom is 19 per cent, East Africa 30 per cent and Indonesia 25 per cent (2018: respectively 19 per cent, 30 per cent and 25 per cent).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

<b>7 Tax</b> continued	2019	2018
	£'000	£'000
The charge for the year can be reconciled to the profit per the consolidated income statement as follows:		
Profit before tax	<u>4,703</u>	<u>12,126</u>
Tax at the standard rate of 19% (2018: 19%) thereon	899	2,303
Tax effect of the following items:		
Foreign tax charged at other rates	480	1,267
Income not subject to tax	(81)	(2,126)
Tax on deemed income	-	-
Expenses that are not deductible in determining taxable profit	146	325
Overseas tax expensed	51	902
Losses utilised	-	(98)
Net underprovision of tax in prior years	11	238
Deferred tax asset not recognised	318	264
Deferred tax on allowable loss	-	-
Tax expense for the year	<u>1,824</u>	<u>3,075</u>
<b>8 Goodwill</b>	2019	2018
	£'000	£'000
Opening balance	468	-
Additions during the year	-	468
Closing balance	<u>468</u>	<u>468</u>

The goodwill of £468,000 arose on the acquisition during the year of Willington Limited and represented a component of the fair value on acquisition attributed to Willington Limited's wholly owned subsidiary, Wigglesworth & Co., Limited (see note 2). 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 is assessed against the current profitability of those operations. On that basis, no provision for impairment has been considered necessary as at the balance sheet date.

**R.E.A. TRADING LIMITED**  
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<b>9 Intangible assets</b>	2019	2018
	£'000	£'000
<u>Cost:</u>		
Opening balance	967	-
Additions during the year	-	967
Closing balance	<u>967</u>	<u>967</u>
<u>Amortisation:</u>		
Opening balance	-	-
Additions	258	-
Closing balance	<u>258</u>	<u>-</u>
<u>Carrying amount:</u>		
Opening balance	967	-
Closing balance	<u>709</u>	<u>967</u>

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.

<b>10 Property, plant and equipment</b>	Land and buildings	Plantings	Plant and machinery	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000
<u>Cost:</u>					
At 1 January 2018	3,787	11,813	9,783	71	25,454
Acquisition of subsidiary	529	-	58	-	587
Additions	67	4,287	972	1,552	6,878
Transfers	148	-	139	(287)	-
Exchange differences	232	664	547	-	1,443
Disposals	-	(760)	(249)	-	(1,009)
At 31 December 2018	<u>4,763</u>	<u>16,004</u>	<u>11,250</u>	<u>1,336</u>	<u>33,353</u>
Additions	654	5,560	1,683	1,867	9,764
Transfers	95	-	432	(573)	(46)
Exchange differences	(97)	(322)	(249)	-	(668)
Disposals	-	(842)	(430)	-	(1,272)
At 31 December 2019	<u>5,415</u>	<u>20,400</u>	<u>12,686</u>	<u>2,630</u>	<u>41,131</u>
<u>Accumulated depreciation:</u>					
At 1 January 2018	612	3,994	6,205	-	10,811
Acquisition of subsidiary	50	-	53	-	103
Charge for year	89	1,155	1,069	-	2,313
Transfers	-	-	-	-	-
Exchange differences	34	286	388	-	708
Eliminated on disposals	-	(760)	(237)	-	(997)
At 31 December 2018	<u>785</u>	<u>4,675</u>	<u>7,478</u>	<u>-</u>	<u>12,938</u>
Charge for year	117	1,290	1,255	-	2,662
Transfers	-	-	-	-	-
Exchange differences	(21)	(160)	(208)	-	(389)
Eliminated on disposals	-	(842)	(426)	-	(1,268)
At 31 December 2019	<u>881</u>	<u>4,963</u>	<u>8,099</u>	<u>-</u>	<u>13,943</u>

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

10 Property, plant and equipment continued	Land and buildings £'000	Plantings £'000	Plant and machinery £'000	Work in progress £'000	Total £'000
<u>Carrying amount:</u>					
Beginning of year	3,978	11,329	3,772	1,336	20,415
End of year	<u>4,534</u>	<u>15,437</u>	<u>4,587</u>	<u>2,630</u>	<u>27,188</u>

At the balance sheet date, the group had entered into contractual capital commitments for the acquisition of property, plant and equipment amounting to £650,000 (2018: £303,000).

Arising from a review of the impact of IFRS 16 on existing accounting policies, payments to acquire leasehold interests in land that were formerly treated as prepaid operating lease rentals have been reclassified as land and buildings with effect from 1 January 2019 and are depreciated (formerly amortised) over the periods of the leases. Prior year comparatives have been restated accordingly. The effect of this change in accounting policy on net book values is summarised below.

	New Policy		Old Policy	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<u>Effect of change in accounting policy</u>				
Prepaid operating lease rentals	-	-	1,212	877
Land and buildings	4,534	3,978	3,322	3,101
	<u>4,534</u>	<u>3,978</u>	<u>4,534</u>	<u>3,978</u>

11 Right of use assets	Land and buildings £'000	Plant and machinery £'000	Total £'000
<u>On adoption of IFRS 19</u>			
At 1 January 2019	257	75	332
Additions	-	-	-
At 31 December 2019	<u>257</u>	<u>75</u>	<u>332</u>
<u>Accumulated depreciation:</u>			
At 1 January 2019	-	-	-
Charge for year	43	13	56
At 31 December 2019	<u>43</u>	<u>13</u>	<u>56</u>
<u>Carrying amount:</u>			
At 1 January 2019	214	62	276
At 31 December 2019	<u>257</u>	<u>75</u>	<u>332</u>

On adoption of IFRS 16, the group has 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. The amounts recognised as right of use assets totalled £332,000 as shown above with corresponding lease liabilities of £332,000 (see note 17) of which £57,000 was due within one year and the balance after more than one year.

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

<b>12 Coal development</b>	2019	2018
	£'000	£'000
Beginning of year	1,819	880
Additions	889	939
Amortisation	-	-
Exchange differences	(8)	2
End of year	<u>2,701</u>	<u>1,820</u>

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

<b>13 Investments</b>	2019	2018
	£'000	£'000
Trade investments at fair value:		
Unquoted shares	<u>75</u>	<u>77</u>
	<u>75</u>	<u>77</u>

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

<b>14 Biological assets</b>	2019	2018
	£'000	£'000
Carrying amount at beginning of year	5,183	5,074
Net biological gain / (loss)	(87)	(174)
Exchange differences	(116)	283
Carrying amount at end of year	<u>4,980</u>	<u>5,183</u>
Net biological gain / (loss) comprises:		
Gain / (loss) arising from changes in fair value attributable to physical changes	(23)	(126)
Gain / (loss) arising from changes in fair value attributable to price changes	(64)	(48)
	<u>(87)</u>	<u>(174)</u>

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. Biological assets are classified as level 3 in the fair value hierarchy.

<b>15 Inventories</b>	2019	2018
	£'000	£'000
Agricultural (sisal)	3,543	2,664
Engineering and stores	1,860	1,840
Trading stocks	<u>3,191</u>	<u>5,081</u>
	<u>8,594</u>	<u>9,585</u>

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

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

<b>16 Trade and other receivables</b>	2019	2018
	£'000	£'000
Trade - due from sale of goods (including related parties £nil; 2018: £nil)	3,113	4,061
Prepayments	7,750	3,740
Taxation	386	381
Deposits and other receivables	812	710
Related parties	7,884	4,735
	<u>19,945</u>	<u>13,627</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The average credit period is 21 days (2018: 43 days).

Related party receivables comprise balances of £7,861,000 and £23,000 due from, respectively, Emba Holdings Limited and R.E.A. Holdings plc (2018: £4,735,000 due from Emba Holdings Limited). See note 28.

<b>17 Borrowings and lease liabilities</b>	2019	2018
	£'000	£'000
Bank loans	1,025	984
Bank overdrafts	167	57
Other loan	70	-
Lease liabilities (see note 11)	281	-
	<u>1,543</u>	<u>1,041</u>
The borrowings are repayable as follows:		
Within one year	514	218
In the second year	384	173
In the third to fifth years inclusive	549	650
After five years	96	-
	<u>1,543</u>	<u>1,041</u>
Less: Amount due for settlement within twelve months (shown under current liabilities)	(514)	(218)
Amount due for settlement after twelve months	<u>1,029</u>	<u>823</u>

The bank loans are secured by first legal charges and debentures over certain assets. The carrying value of the assets subject to such charges was £36,434,350 (2018: £25,001,621).

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 £9,097,000 (2018: £10,410,000).

	£'000
Lease liabilities at 31 December 2019 are payable as follows:	
Within one year	72
In the second year	94
In the third to fifth years inclusive	89
After five years	26
	<u>281</u>

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

**17 Borrowings and lease liabilities** continued

Interest incurred on lease liabilities during the year amounted to £15,000 (see note 6) and principal payments in respect of lease liabilities to £55,000.

At 31 December 2019, the group had outstanding short term lease obligations amounting to £10,000. The lease expenditure charged to profit and loss account in respect of short term leases during the year amounted to £146,000 (see note 4).

	2019	2018
	£'000	£'000
Net cash and cash equivalents for the purposes of cash flow comprises:		
Cash and cash equivalents	2,149	12,631
Bank overdrafts	(167)	(57)
	1,982	12,574

**18 Financial instruments**

The group manages as capital its debt, which includes the borrowings and cash and cash equivalents disclosed in note 17 and equity attributable to shareholders of the parent, comprising issued ordinary and preference share capital, reserves and retained earnings as disclosed in notes 22 to 25. The group is not subject to externally imposed capital requirements.

The group's policies and objectives in managing its capital were unchanged in 2019 from 2018. 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

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

	2019	2018
	£'000	£'000
Total debt	1,543	1,041
Cash and cash equivalents	(2,149)	(12,631)
Net cash	(606)	(11,590)
Equity (including minority interests)	55,447	53,469

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 the 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 fair values. Derivative financial instruments are measured at fair value through profit and loss account.

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

**18 Financial instruments** continued

Categories of financial instruments

Non-derivative financial assets as at 31 December 2019 comprised investments, receivables and cash and cash equivalents held at amortised costs amounting to £14,033,000 (2018: £22,214,000).

Non-derivative financial liabilities as at 31 December 2019 comprised bank borrowings and lease liabilities and trade and other payables held at amortised cost amounting to £5,050,000 (2018: £4,959,000).

Derivative financial assets at 31 December 2019 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 £889,000 (2018: £1,151,000).

Derivative financial liabilities at 31 December 2019 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 £36,000 (2018: £58,000).

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 operations are located as the functional currencies of those operations. The group's revenues arise mainly in US dollars. Within the group's trading operations the group also 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.

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

**18 Financial 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.

	2019 £'000	2018 £'000
Profit before tax:		
Euro	36	43
Indonesian rupiah	-	(17)
Kenyan shillings	(9)	(93)
Tanzanian shillings	(7)	(10)
US dollars	(166)	(309)
Equity:		
Euro	24	34
Indonesian rupiah	(471)	(197)
Kenyan shillings	(512)	(491)
Tanzanian shillings	(323)	(274)
US dollars	(208)	(840)

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 normally 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 2019 of £13,000 (2018: £91,000).

Commodity price risk

The group is exposed to commodity price risk in its coal, abaca and trading operations. As respects the coal and abaca 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 2019 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.

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

**18 Financial 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:

	2019	2018
	£'000	£'000
Purchases	4,837	4,524
Sales	3,147	2,413

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 2019 of £399,000 (2018: £347,000) and a reduction in equity of £323,000 (2018: £281,000).

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 14.

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

**18 Financial instruments** continued

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.

	Weighted average interest rate	Under 1 year £' 000	Between 1 and 2 years £' 000	Over 2 years £' 000	Total £' 000
<u>2019</u>					
Bank loans and overdrafts:					
US dollar overdraft	7.0%	179			179
US dollar loan	8.0%	278			278
Euro loan	3.0%	16	307	510	833
Kshs loan	15.5%			206	
Trade and other payables		4,896	-	-	4,896
		<u>5,369</u>	<u>307</u>	<u>716</u>	<u>6,186</u>
<u>2018</u>					
Bank loans and overdrafts:					
Sterling (overdraft)*	2.6%	58			58
Sterling (letter of credit)		76			76
Euro	3.0%	85	184	710	979
Trade and other payables		4,173	-	-	4,173
		<u>4,392</u>	<u>184</u>	<u>710</u>	<u>5,286</u>

\* net of offset currency deposits

At 31 December 2019, the group's non-derivative financial assets (other than receivables) comprised cash and deposits of £2,149,000 (2018: £12,631,000) 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. All such financial instruments are classified as level 1 in the fair value hierarchy. No reclassifications between levels in the fair value hierarchy were made during 2019 (2018: none).

	2019 Book value £' 000	2019 Fair value £' 000	2018 Book value £' 000	2018 Fair value £' 000
Cash and deposits *	2,149	2,149	12,631	12,631
Bank debt - within one year *	(514)	(514)	(218)	(218)
Bank debt - after more than one year *	(1,029)	(1,029)	(823)	(823)
Net amount	<u>606</u>	<u>606</u>	<u>11,590</u>	<u>11,590</u>

\* bearing interest at floating rates

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

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

**18 Financial 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.

	2019 £'000	2018 £'000
Liabilities (representing fair value losses):		
Contracts for the forward sale and purchase of physical commodities	15	57
Contracts for the forward sale and purchase of foreign currencies	21	1
	<u>36</u>	<u>58</u>
Assets (representing fair value gains):		
Contracts for the forward sale and purchase of physical commodities	804	1,040
Contracts for the forward sale and purchase of foreign currencies	85	111
	<u>889</u>	<u>1,151</u>

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:

	2019 £'000	2018 £'000
Purchases	10,887	13,369
Sales	13,223	17,740

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:

	2019 £'000	2018 £'000
Purchases	1,267	8,420
Sales	6,585	8,311

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 comprising 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. No reclassifications between levels in the fair value hierarchy were made during 2019 (2018: none).

**19 Deferred tax**

	2019 £'000	2018 £'000
Deferred tax liabilities	(4,559)	(4,650)
Deferred tax assets	32	25
Net position	<u>(4,527)</u>	<u>(4,625)</u>

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

<b>19 Deferred tax</b> continued	Biological assets £'000	Accelerated depreciation £'000	Provisions £'000	Defined benefit scheme £'000	Acquisition of subsidiary £'000	Right of use assets and leases £'000	Total £'000
At 1 January 2018	(1,522)	(3,191)	724	(133)	-	-	(4,122)
Addition (note 2)	-	-	-	-	(184)	-	(184)
(Charge)/credit to income	52	(231)	94	(35)	-	-	(120)
(Charge) to equity	-	-	-	33	-	-	33
Rate change - income	-	-	-	-	-	-	-
Rate change - equity	-	-	-	-	-	-	-
Exchange differences	(85)	(188)	50	(9)	-	-	(232)
At 31 December 2018	(1,555)	(3,610)	868	(144)	(184)	-	(4,625)
(Charge)/credit to income	26	(91)	30	(25)	49	3	(8)
(Charge) to equity	-	-	-	-	-	-	-
Rate change - income	-	-	-	-	-	-	-
Rate change - equity	-	-	-	-	-	-	-
Exchange differences	35	88	(24)	7	-	-	106
At 31 December 2019	<u>(1,494)</u>	<u>(3,613)</u>	<u>874</u>	<u>(162)</u>	<u>(135)</u>	<u>3</u>	<u>(4,527)</u>

Tax losses of £5,213,000 (2018: £1,750,000) are being carried forward of which £5,213,000 (2018: £1,750,000) 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 £2,843,000 (2018: £2,772,000). 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.

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

<b>20 Provisions</b>	2019	2018
	£'000	£'000
Provisions	<u>2,196</u>	<u>2,063</u>

Provisions relate to staff retirement benefits. These are awarded to unionised employees in East Africa (provision of £2,078,000; 2018: £1,980,000) and to staff in Indonesia (provision of £118,000; 2018: £83,000) 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:

	2019	2018
	£'000	£'000
Beginning of year	1,700	1,700
Charged to consolidated income statement	384	323
Other comprehensive income	(22)	2
Utilised during the year	(160)	(71)
Translation adjustment	(70)	109
End of year	<u>1,831</u>	<u>2,063</u>

<b>21 Trade and other payables</b>	2019	2018
	£'000	£'000
Trade purchases and ongoing costs (including related parties £nil; 2018: £nil)	1,913	1,813
Accruals	923	626
Other payables (including related parties £637,000; 2018: £37,000)	<u>1,594</u>	<u>2,105</u>
	<u>4,430</u>	<u>4,544</u>

The average credit period taken on trade payables is 19 days (2018: 32 days). The directors estimate that the fair value of the other payables approximates their carrying value.

Related party amounts included in other payables comprise an amounts payable on demand to New Willington Limited of £500,000 and Richard Robinow of £137,000(2018: International Bulk Liquids (Storage and Transport) Limited - £30,000 and Richard Robinow - £7,000). See note 28.

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

<b>22 Share capital</b>	2019	2018
	£'000	£'000
Issued, called up and fully paid:		
6,102,000 (2018: 6,102,000) Ordinary shares of £1 each	6,102	6,102
600,000 (2018: 600,000) 10% Irredeemable preference shares of £1 each	600	600
	<u>6,702</u>	<u>6,702</u>

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

The £2,500,000 increase in the issued, called up and fully paid ordinary share capital that occurred during the prior year arose from the issue of 2,500,000 new ordinary shares, credited as fully paid, as consideration for the acquisition of the whole of the issued share capital of Willington Limited (see note 2).

<b>23 Share premium</b>	2019	2018
	£'000	£'000
Beginning of year	12,285	15
Movement during the year	-	12,270
End of year	<u>12,285</u>	<u>12,285</u>

The movement during the prior year arose from the issue of the 2,500,000 new ordinary shares referred to in note 22.

<b>24 Translation reserve</b>	2019	2018
	£'000	£'000
Beginning of year	768	(738)
Exchange differences arising on translation of overseas operations (net of amount booked to non-controlling interests - see note 26)	(792)	1,506
End of year	<u>(24)</u>	<u>768</u>

<b>25 Retained earnings</b>	2019	2018
	£'000	£'000
Beginning of year	32,691	24,726
Excess of carrying value over cost relating to partial acquisition of non controlling interest in subsidiary	13	(6)
Profit for the year	2,791	8,777
Remeasurement of net defined benefit scheme asset	4	(76)
Dividends to preference shareholders	(60)	(30)
Dividends to ordinary shareholders	0	(700)
End of year	<u>35,439</u>	<u>32,691</u>

The dividend paid per ordinary share amounted to £nil (2018: £0.115).

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

<b>26 Non-controlling interests</b>	2019	2018
	£'000	£'000
Beginning of year	1,023	874
Subscription of shares in a subsidiary	-	144
Share of profit for the year	87	274
Share of remeasurement of net defined benefit scheme asset	-	(3)
Dividends paid to non-controlling shareholders in subsidiaries	(17)	(311)
Partial acquisition of non-controlling interest in subsidiary	(20)	(19)
Exchange translation differences	(28)	64
End of year	<u>1,045</u>	<u>1,023</u>

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.

**27 Defined benefit schemes**

Kenya

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.

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.

	2019	2018
The principal actuarial assumptions used in determining the amounts reflected in the financial statements are:		
Discount rate	13%	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	(480)	(445)
Current service cost net of employer contributions	12	7
Interest on obligation	263	253
Expected return on scheme assets	(320)	(139)
Net actuarial (gain) / loss recognised in the year	3	(24)
Contributions paid	(47)	(51)
Change in effect of asset ceiling	10	(46)
Exchange translation differences	18	(35)
	<u>(541)</u>	<u>(480)</u>

The amount included in the balance sheet is determined as follows:

Present value of defined benefit obligations	2,215	2,043
Fair value of scheme assets	(2,957)	(2,721)
Effect of asset ceiling	201	198
Asset recognised in balance sheet	<u>(541)</u>	<u>(480)</u>

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

**27 Defined benefit schemes** continued

Kenya continued

It is expected that contributions payable in 2020 will be similar to those paid in 2019.

A 1 per cent reduction in the discount rate applied would have increased the present value of the defined benefit obligations at 31 December 2019 to £2,218,000 (2018: £2,041,000). The sensitivity to salary escalation would be broadly similar. The weighted average duration of the liability at the same date was 0.1 years (2018: 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 £39,000 (2018: £36,000) 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.

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 2017. This method had been adopted in the previous valuation as at 31 December 2014 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 2017 the Scheme had an overall surplus of assets, when measured against the Scheme's technical provisions, of £3.1 million. The technical provisions were calculated using assumptions of an investment return of 3.6 per cent pre-retirement and 2.1 per cent post-retirement and annual increases in pensionable salaries of 3.4 per cent. 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 and the CPI were assumed to be 3.4 per cent and 2.65 per cent respectively. It was further assumed that both non-retired and retired members' mortality would reflect S2PXA tables (light version) at 100 per cent and that non-retired members would take on retirement the maximum cash sums permitted from 1 January 2018. Had the Scheme been valued at 31 December 2017 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.

The normal contributions paid by the group in 2019 were £65,000 (2018: £74,000) and represented 38.6 per cent of pensionable salaries; in addition, a discretionary contribution of £2,000 was made in 2019 (2018: 3,000) 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. Normal contributions for 2020 are expected to be £60,000 and the discretionary element for 2020 is expected to be £1,000.

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

**27 Defined benefit schemes** continued

United Kingdom continued

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 surplus as at 31 December 2017 to variations in certain of the principal assumptions underlying the actuarial valuation as at that date is summarised below:

	Reduction in surplus £'000
Decrease in post-retirement investment returns by 0.1%	(457)
Decrease in base table mortality rates by 10%	(1,255)
Increase in long term rate of mortality by .25%	(276)

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 2019 was £44,000 (2018: £42,000).

**28 Related party transactions**

	2019 £'000	2018 £'000
Sales of sisal fibres and yarns to Wigglesworth & Co., Limited*	-	14,095
Payable to New Willington Limited	(500)	-
Payable to International Bulk Liquids (Storage & Transport Limited ("IBL"))	-	(30)
Payable to Richard Robinow	(137)	(7)
Due from Emba Holdings Limited	7,884	4,735

\* Balances relate to the period when Wigglesworth & Co., Limited was not a subsidiary of the company.

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, IBL and Emba Holdings Limited are related parties, and prior to the acquisition of Willington Limited by the company as detailed in note 2, Wigglesworth & Co., Limited was a non subsidiary related party, 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.

In addition to the transactions disclosed above, the acquisition of Willington Limited by the company in the prior year, as detailed in note 2, was a related party transaction by virtue of the common ownership of the company and former ultimate ownership of Willington Limited as noted in the preceding paragraph.

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.

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

**29 Post balance sheet events**

Covid-19

The group faces potential impacts from the Covid-19 pandemic that has occurred during 2020. To-date, the impact on the group has been limited to working constraints that have caused some loss of sisal production and have complicated the logistics of office administration. The financial consequences of such constraints has been limited. Potential further consequences of Covid-19 could include adverse effects on employee health and inability to make deliveries of sisal and traded products. The group should be able to withstand such adverse effects for a limited period but could not do so indefinitely.

Issue of new first preference shares

On 24 August 2020, the capital of the company was reorganised by the creation of new 10 per cent cumulative redeemable preference shares of £1 each ("first preference shares"). The new first preference shares entitle the holders thereof to a fixed cumulative annual dividend of 10 per cent and to redemption of their shares at par on 9 September 2021. Dividends on the first preference shares are to be paid in priority to any dividend on the 10 per cent cumulative irredeemable preference shares ("second preference shares") and the ordinary shares of the company. On a winding up or other return of capital, the first 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 second preference shares and the ordinary shares.

On 8 September 2020, 2,000,000 first preference shares were issued for cash at par by way of a placing with a number of investors. It is intended that the net proceeds of the issue will be lent to R.E.A. Holdings plc as an additional and temporary bridging loan.

**R.E.A. TRADING LIMITED**  
**COMPANY BALANCE SHEET AS AT 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Investments	(ii)	26,667	43,084
<b>Current assets</b>			
Trade and other receivables	(iii)	20,337	9,234
Cash at bank and in hand		1,042	6,072
		21,379	15,306
<b>Current liabilities</b>			
Trade and other payables	(iv)	(5,533)	(16,221)
<b>Net current assets / (liabilities)</b>		15,846	(915)
<b>Creditors falling due after one year</b>			
Deferred tax liabilities	(v)	-	-
<b>Net assets</b>		42,513	42,169
<b>Capital and reserves</b>			
Called up share capital	(vi)	6,702	6,702
Share premium	(vii)	12,285	12,285
Profit and loss account	(viii)	23,526	23,182
<b>Total shareholders' funds</b>		42,513	42,169

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 2019 is £404,000 (2018: £8,555,000).

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

The financial statements of R.E.A. Trading Limited, registered number 88367, were approved and authorised by the Board on 14 September 2020.

RICHARD ROBINOW  
 Director

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

### **ACCOUNTING POLICIES (COMPANY)**

#### **General information**

R.E.A. Trading Limited is incorporated and domiciled in England and Wales under the Companies Act 2006 with registration number 00671099. The company's registered office is at First Floor, 32-36 Great Portland Street, London W1W 8QX. 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 EU.

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 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 principal income of the company in the next twelve months, and the resultant cash flows, derive from dividends from subsidiaries and contractual arrangements already in force. The directors have reviewed the company's budgets and forecasts which include such income and have considered any changes in trading performance which might reasonably occur. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

#### **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.

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

### **ACCOUNTING POLICIES (COMPANY)**

#### **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 consolidated balance sheet when the group becomes a party to the contractual provisions of the instrument. Non derivative financial assets comprise receivables held at amortised cost and cash and cash equivalents. Non derivative financial liabilities comprise bank borrowings and trade and other payables which are held at amortised cost.

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

**Non derivative financial instruments continued**

*Trade receivables*

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

*Trade and other payables*

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

**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.

**R.E.A. TRADING LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital £'000 <i>(note vi)</i>	Share premium £'000 <i>(note vii)</i>	Profit and loss £'000 <i>(note viii)</i>	Total equity £'000
At 1 January 2018	4,202	15	15,357	19,574
Issue of new ordinary shares	2,500	12,270	-	14,770
Total comprehensive income	-	-	8,555	8,555
Dividends on preference shares	-	-	(30)	(30)
Dividends on ordinary shares	-	-	(700)	(700)
At 31 December 2018	6,702	12,285	23,182	42,169
Total comprehensive income	-	-	404	404
Dividends on preference shares	-	-	(60)	(60)
Dividends on ordinary shares	-	-	-	-
At 31 December 2019	6,702	12,285	23,526	42,513

**R.E.A. TRADING LIMITED**  
**NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2019**

**(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 expectation of future events that are considered to be relevant. Actual values of assets and amounts of liabilities may differ from estimates. The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***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, the carrying values of subsidiary companies are a source of estimation uncertainty for the company. These are reviewed at each balance sheet date to determine whether there is any indication that the investments may have suffered an impairment loss. If any such indication exists, the recoverable amount of each relevant asset is estimated in order to determine the impairment loss.

**(ii) Investments**

	2019	2018
	£'000	£'000
Shares in subsidiary companies	26,667	43,084

	2019	2018
	£'000	£'000
The movements during the year were:		
At beginning of year	43,084	17,307
Additions	7	26,435
Advance on account of share capital of a subsidiary	-	(658)
Impairment	(1,550)	-
Disposal of Willington Limited by way of winding up	(14,874)	-
At end of year	26,667	43,084

Additions comprised:

Acquisition of additional shares in REA Vipingo Plantations Limited	7	25
Subscription of additional shares in PT Spice Islands Maluku	-	2,739
Acquisition of Wigglesworth & Co., Limited	-	8,797
Acquisition of Willington Limited	-	14,874
	7	26,435

The advance on account of share capital of a subsidiary recovered in the prior year comprised £658,000 advanced to PT Spice Islands Maluku during an earlier year and applied towards the subscription of additional shares in that company during the prior year.

**R.E.A. TRADING LIMITED**  
**NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2019**

**(ii) Investments continued**

The impairment provision for the current year relates to the company's investment in its subsidiary, P.T. Spice Islands Maluku ("SIM"), and reflects an estimated diminution in value of that investment arising from losses incurred by SIM. The recoverable amount of the investment is estimated at £1,658,000 at 31 December 2019. The measurement of the recoverable amount is 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 SIM, with that measurement falling within level 3 of the IFRS fair value hierarchy.

In the prior year, the consideration for the acquisition of Willington Limited ("Willington") was satisfied by the issue, credited as fully paid, of 2,500,000 new ordinary shares of £1 each in the capital of the company. Incidental costs of acquisition of £89,000 were paid in cash. At that time, Wigglesworth & Co., Limited ("Wigglesworth") was a wholly owned subsidiary of Willington. Ownership of Wigglesworth was subsequently transferred from Willington to the company for a consideration of £8,797,000 payable in cash but left outstanding as an intra-group balance between the company and Willington. Willington was wound up during 2019 and the outstanding intra-group balance distributed in specie by way of liquidation distribution.

*Subsidiaries*

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

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
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
Wigglesworth Exporters Limited (incorporated in Kenya)	Sisal forwarders	97 per cent
Wigglesworth & Co., Limited (incorporated in England & Wales)	Soft fibres merchanting	100 per cent

The registered offices of the above companies 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

Wigglesworth & Co., Limited, Nutmeg House, 60 Gainsford Street, London SE1 2NY

The shareholdings in PT Robindo Natayara, PT Spice Islands Maluku, REA Vipingo Plantations Limited, Wigglesworth & Co., Limited and Willington Limited are held directly by the company. All other shareholdings are held by subsidiaries.

**R.E.A. TRADING LIMITED**  
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<b>(iii) Trade and other receivables</b>	2019	2018
	£'000	£'000
Group companies (see note (xi))	11,872	4,068
Connected companies (see note (xi))	7,884	4,735
Other receivables	581	431
	<u>20,337</u>	<u>9,234</u>

<b>(iv) Trade and other payables</b>	2019	2018
	£'000	£'000
Group companies (see note xi)	4,789	16,116
Connected companies and individuals (see note xi)	637	30
Accruals	107	75
	<u>5,533</u>	<u>16,221</u>

<b>(v) Deferred tax liability</b>	2019	2018
	£'000	£'000
At beginning of year	-	-
At end of year	<u>-</u>	<u>-</u>

At 31 December 2019, there were carried forward (without time limitation) tax losses of £1,842,000 (2018: £201,000). These 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.

<b>(vi) Share capital</b>	2019	2018
	£'000	£'000
Issued, called up and fully paid:		
6,102,000 Ordinary shares of £1 each (2018: 6,102,000)	6,102	6,102
600,000 10% Irredeemable preference shares of £1 each (2018: 600,000)	600	600
	<u>6,702</u>	<u>6,702</u>

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

The £2,500,000 increase in the issued, called up and fully paid ordinary share capital that occurred during the prior year arose from the issue of 2,500,000 new ordinary shares, credited as fully paid, as consideration for the acquisition of the whole of the issued share capital of Willington Limited (see note (ii)).

**R.E.A. TRADING LIMITED**  
**NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2019**

<b>(vii) Share premium</b>	2019	2018
	£'000	£'000
At beginning of year	12,285	15
Movement during the year	-	12,270
At end of year	<u>12,285</u>	<u>12,285</u>

<b>(viii) Profit and loss</b>	2019	2018
	£'000	£'000
At beginning of year	23,182	15,357
Profit for the year	404	8,555
Dividends to preference shareholders	(60)	(30)
Dividends to ordinary shareholders	-	(700)
At end of year	<u>23,526</u>	<u>23,182</u>

The dividend paid per ordinary share amounted to £nil (2018: £0.115).

<b>(ix) Directors' emoluments</b>	2019	2018
	£'000	£'000
Salaries	192	234
Social security costs	24	31
	<u>216</u>	<u>265</u>
Emoluments of highest paid director	<u>150</u>	<u>192</u>

<b>(x) Related party transactions</b>	2019	2018
	£'000	£'000
Income:		
Fees from REA Vipingo Plantations Limited	31	29
Fees from Wigglesworth & Co. Limited	239	232
Fees from Willington Limited	-	98
Fees from New Willington Limited	194	-
Dividends from REA Vipingo Plantations Limited	504	8,919
Interest payable to REA Vipingo Plantations Limited	(84)	(78)
Interest receivable from PT Robindo Natayara	-	108
Interest receivable from PT Spice Islands Maluku	-	3
Interest receivable from Emba Holdings Limited	161	99
Interest receivable from R.E.A. Holdings plc	62	185

**R.E.A. TRADING LIMITED**  
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**(x) Related party transactions continued**

Closing balances:

Due from group companies (see note (iii))

REA Vipingo Plantations Limited	29	26
PT Robindo Natayara	4,314	2,690
PT Spice Islands Maluku	7,529	1,233
Wigglesworth & Co., Limited	-	119

Due from connected companies (see note (iii))

Emba Holdings Limited	7,861	4,735
R.E.A. Holdings plc	23	-

Due to group companies (see note (iv))

REA Vipingo Plantations Limited	(4,789)	(1,243)
Willington Limited	-	(14,874)

Due to connected companies and individuals (see note (iv))

New Willington Limited	(500)	
International Bulk Liquids (Storage & Transport) Limited ("IBL")	-	(23)
Richard Robinow	(137)	(7)

The company is wholly owned by Richard and Jeremy Robinow (see note (xi)). The latter also own New Willington Limited (of which IBL is a wholly owned subsidiary) and, with their immediate families, Emba Holdings Limited. REA Vipingo Plantations Limited, PT Robindo Natayara, PT Spice Islands Maluku and Wigglesworth & Co., Limited are subsidiaries of the company. Prior to its winding up during 2019, Willington Limited was also a subsidiary 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, Willington 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 together with sterling and dollar loans to R.E.A. Holdings plc outstanding during the year of up to the equivalent of \$5 million (2018: \$12 million) in aggregate but substantially (2018: fully) repaid prior to year end. Such interest charges are computed at normal commercial rates. Other related party loans do 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 unsecured.

In addition to the transactions referred to above, in the prior year, the acquisition of Willington Limited by the company and the subsequent acquisition of Wigglesworth & Co., Limited by the company were related party transactions, in the former case because of the common ownership or ultimate ownership of the company and Willington Limited at the date of the transaction and in the latter case because Wigglesworth & Co., Limited was acquired by the company from Willington Limited which, at the date of the transaction was a wholly owned subsidiary of the company. (See note (ii))

Directors' emoluments are detailed in note (ix).

**R.E.A. TRADING LIMITED**  
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**(xi) Controlling party**

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

**(xii) Post balance sheet events**

Covid-19

The company faces possible adverse financial consequences from potential impacts on subsidiaries of the Covid-19 pandemic that has occurred during 2020. To-date, the impact on subsidiaries has been limited to working constraints that have caused some loss of sisal production and have complicated the logistics of office administration. The financial consequences of such constraints has been limited. Potential further consequences of Covid-19 for subsidiaries could include adverse effects on employee health and inability to make deliveries of sisal and traded products. The company should be able to withstand such adverse effects for a period but could not do so indefinitely.

Issue of new first preference shares

On 24 August 2020, the capital of the company was reorganised by the creation of new 10 per cent cumulative redeemable preference shares of £1 each ("first preference shares"). The new first preference shares entitle the holders thereof to a fixed cumulative annual dividend of 10 per cent and to redemption of their shares at par on 9 September 2021. Dividends on the first preference shares are to be paid in priority to any dividend on the 10 per cent cumulative irredeemable preference shares ("second preference shares") and the ordinary shares of the company. On a winding up or other return of capital, the first 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 second preference shares and the ordinary shares.

On 8 September 2020, 2,000,000 first preference shares were issued for cash at par by way of a placing with a number of investors. It is intended that the net proceeds of the issue will be lent to R.E.A. Holdings plc as an additional and temporary bridging loan.