

REA Finance B.V.
Amsterdam

Annual report and accounts
for the year ended 31 December 2008

REA Finance B.V., Amsterdam

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REA Finance B.V., Amsterdam

Report of the management

The management herewith presents to the shareholder the audited accounts of REA Finance B.V. (hereinafter "the Company") for the year ended 31 December 2008.

General

The Company is a limited liability company incorporated under the laws of The Netherlands and acts as a finance company. The ultimate holding company is R.E.A. Holdings plc, United Kingdom.

Overview of activities

During the year the Company has issued bonds in the amount of 15 million pounds sterling and has made a 8 million pounds sterling loan to PT REA Kaltim Plantations, and a 7 million pounds sterling and a 6 million US dollar loan to PT Sasana Yudha Bhakti. On 28 August 2008 the Company received a further loan of US dollars 6 million from R.E.A. Holdings plc ("REAH"). On 2 September 2008 the Company received a share premium contribution in the amount of 90,000 pounds sterling from the shareholder REAH.

Results

The net asset value of the Company as at 31 December 2008 amounts to GBP 656,393 (2007: GBP 474,956). The result after taxation for the year amounts to a profit of GBP 91,437 (2007: GBP 74,836 profit).

Risks and uncertainties

The principal risks and uncertainties facing the Company relate to the due performance by group entities of their obligations under their respective loan agreements with the Company. Any shortfall in performance would impact negatively on the Company's ability to perform its obligations to REAH with respect to its loan to the Company of \$36.5 million and to the holders of £37 million nominal of 9.5 per cent guaranteed sterling notes 2015/17 ("the Note Holders"). The extent of this risk is limited by:

- the guarantee given by REAH in favour of the Note Holders; and
- the Limited Recourse Agreement dated 21 August 2008 and made between the Company and REAH (together the "Parties") (the "LRA").

The LRA reflects the intention of the Parties that the Company, in relation to its financing activities, should (i) meet the minimum risk requirements of article 8c, paragraph 2, of the Dutch Corporate Income Tax Act and (ii) not be exposed to risk in excess of the Minimum Risk Amount ("MRA"). For these purposes the MRA is 1 per cent of the aggregate amounts outstanding under the loans to group entities. In relation to point (i) above, the Company's capital and reserves as at 31 December 2008 complied with the minimum risk requirements of article 8c, paragraph 2, of the Dutch Corporate Income Tax Act.

Risk management objectives

In carrying out its financing activities, it is the policy of the Company to minimise exposure to interest and exchange rate fluctuations by ensuring that loans are denominated in the same currency as the financing sources from which such loans are funded and that interest receivable on such loans is based on a formula from which the Company derives a fixed margin over the cost of funding. In addition, the Company relies on the arrangements described under "Risks and uncertainties" above to limit its exposure to loss.

The Company does not enter into or trade financial instruments for any purpose.

The Company's overheads are denominated mostly in Euros and sterling. The fixed margin referred to above, which is derived in US dollars and sterling, is formulated to cover all the overheads and to leave a residual margin as compensation for assuming the limited risk under the LRA. The Company does not seek to hedge the minimal foreign currency risk implicit in these arrangements.

The principal credit risk is described in detail under "Risks and uncertainties" above. Deposits of surplus cash resources are only made with banks with high credit ratings.

Future outlook

The management is of the opinion that the present level of activities will be maintained during the next financial year.

Amsterdam, 8 May 2009
Fortis Intertrust (Netherlands) B.V.

REA Finance B.V., Amsterdam

Responsibility confirmation

The managing director is responsible for the preparation of this annual financial report.

To the best of the knowledge of the managing director:

- the accompanying annual accounts prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the accompanying "Report of the management " section of this annual report provides a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

The current managing director of the Company, responsible for the executive management of the Company, is Fortis Intertrust (Netherlands B.V.), a company represented by G.R. Wagenaar and P.M. Blöte.

G.R. Wagenaar

P.M. Blöte

Amsterdam
8 May 2009

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Balance sheet as at 31 December 2008

(Before appropriation of results)

	Notes	2008 £	2007 Unaudited £
Fixed assets			
Financial fixed assets			
Loans to group entities	1	62,822,222	37,598,488
<i>Total fixed assets</i>		<u>62,822,222</u>	<u>37,598,488</u>
Current assets			
Debtors			
Amounts owed by group entities	2	110,429	49,348
Prepayments and accrued income	3	1,296	3,988
Cash and cash equivalents	4	91,330	62,114
<i>Total current assets</i>		<u>203,055</u>	<u>115,450</u>
Current liabilities (due within one year)			
Amounts due to group entities	5	1,346	367
Amounts due to third parties	6	9,316	-
Taxation	7	5,000	-
Accruals and deferred income	8	6,000	25,127
<i>Total current liabilities</i>		<u>21,662</u>	<u>25,494</u>
Current assets less current liabilities		<u>181,393</u>	<u>89,956</u>
Total assets less current liabilities		<u>63,003,615</u>	<u>37,688,444</u>
Long term liabilities (due after one year)			
Amounts due to group entities	9	25,347,222	15,213,488
Bond loans	10	37,000,000	22,000,000
<i>Total long term liabilities</i>		<u>62,347,222</u>	<u>37,213,488</u>
Capital and reserves			
Paid up and called up share capital	11	17,401	13,203
Share premium account		475,000	385,000
Translation reserve		(5,177)	(979)
Other reserves		77,732	2,896
Unappropriated results		91,437	74,836
<i>Total shareholder's equity</i>		<u>656,393</u>	<u>474,956</u>
Total long term liabilities and share capital and reserves		<u>63,003,615</u>	<u>37,688,444</u>

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

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Profit and loss account for the year ended 31 December 2008

	Notes	2008 £	2007 Unaudited £
Finance activities			
Interest income on loans to group entities	12	4,906,377	4,071,591
Interest expense on loans from group entities	13	(1,275,450)	(1,271,824)
Interest expense on bond loans	14	<u>(2,802,500)</u>	<u>(2,136,459)</u>
<i>Result finance activities</i>		828,427	663,308
Other financial income and expenses			
Other interest income	15	11,387	9,418
Currency exchange rate differences	16	<u>7,123</u>	<u>56</u>
<i>Total other financial income and expenses</i>		18,510	9,474
Other income and expenses			
General and administrative expenses	17	<u>(259,862)</u>	<u>(190,786)</u>
<i>Total other income and expenses</i>		(259,862)	(190,786)
Result on ordinary activities before taxation		<u>587,075</u>	<u>481,996</u>
Overseas withholding taxes	18	(490,638)	(407,160)
Corporate income tax	18	(5,000)	-
Result after taxation		<u><u>91,437</u></u>	<u><u>74,836</u></u>

The accompanying notes are an integral part of this profit and loss account.

Notes to the annual accounts for the year ended 31 December 2008

General

The Company was incorporated as a limited liability company under the laws of the Netherlands on 7 November 2006 and has its statutory seat in Amsterdam. The ultimate holding company is R.E.A. Holdings plc. The principal activity of the Company is to act as a finance company.

The functional currency of the Company is GBP, which is also the presentation currency of the accounts.

Basis of presentation

The accompanying accounts have been prepared in accordance with accounting principles generally accepted in The Netherlands and with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The most significant accounting principles are as follows:

a. Foreign currencies

Assets and liabilities in foreign currencies are translated into pounds sterling at the exchange rates prevailing on the balance sheet date. Transactions in foreign currencies are translated into pounds sterling at the exchange rates in effect at the time of the transactions. The resulting exchange rate differences are taken to the profit and loss account.

The exchange rates used in the annual financial statements are:	<u>31.12.08</u>	<u>31.12.07</u>
1 GBP (pound sterling) = EUR	1.0346	1.3633
1 GBP (pound sterling) = USD	1.4400	2.0048

b. Loans and receivables

Loans and receivables are stated at their face value, less an allowance for any possible uncollectible amounts.

c. Other assets and liabilities

Other assets and liabilities are shown at face value, unless stated otherwise in the notes.

d. Recognition of income

Income and expenses, including taxation, are recognised and reported on the accruals basis.

e. Corporate income tax

Taxation on the result for the period comprises both current taxation payable and deferred taxation. No current taxation is provided if, and to the extent that, profits can be offset against losses brought forward from previous periods. Deferred tax assets on losses are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. Current tax liabilities are computed taking into account all available tax credits.

Cash flow statement

The annual report for 2008 of the Company's ultimate holding company includes a consolidated cash flow statement for the group as a whole. Accordingly, the Company has elected to use the exemption provided under Dutch Law and does not present its own cash flow statement.

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Balance Sheet

1 Loans to group entities			2008	2007
			£	Unaudited £
PT REA Kaltim Plantations ("REAK")	USD	30,500,000	21,180,556 30,000,000 <u>385,000</u> 51,565,556	15,213,488 22,000,000 <u>385,000</u> 37,598,488
PT Sasana Yudha Bhakti ("SYB")	USD	6,000,000	4,166,666 7,000,000 <u>90,000</u> 11,256,666	- - <u>-</u> -
Total loans to group entities			<u>62,822,222</u>	<u>37,598,488</u>
<p>The loans of US\$30.5 million to REAK and of US\$6 million to SYB bear interest at 2.9229 per cent over SIBOR and are repayable on or before 31 December 2017. The loans of £30 million to REAK and of £7 million to SYB bear interest at 10.4229 per cent and are repayable by three equal annual instalments commencing 31 December 2015. The loans of £385,000 to REAK and of £90,000 to SYB bear interest at 9.6729 per cent and are repayable on 31 December 2017.</p>				
Balance of loans as at 1 January			37,598,488	30,883,371
Increase			18,351,487	7,035,000
Currency exchange rate differences			6,872,247	(319,883)
Balance of loans as at 31 December			<u>62,822,222</u>	<u>37,598,488</u>
2 Amounts owed by group entities			2008	2007
			£	Unaudited £
R.E.A. Holdings plc: current account			110,429	46,961
PT REA Kaltim Plantations: current account			-	2,387
			<u>110,429</u>	<u>49,348</u>
3 Prepayments and accrued income			2008	2007
			£	Unaudited £
VAT receivable	EUR	1,341	1,296	3,988
			<u>1,296</u>	<u>3,988</u>
4 Cash and cash equivalents			2008	2007
			£	Unaudited £
Current account			53,469	38,378
Current account			11,837	1,980
Current account			26,024	21,756
			<u>91,330</u>	<u>62,114</u>
5 Amounts due to group entities within one year			2008	2007
			£	Unaudited £
R.E.A. Holdings plc: current account			483	367
PT REA Kaltim Plantations: current account			863	-
			<u>1,346</u>	<u>367</u>
6 Amounts due to third parties			2008	2007
			£	Unaudited £
Trade creditors			9,316	-
			<u>9,316</u>	<u>-</u>
7 Taxation			2008	2007
			£	Unaudited £
Corporate income tax			5,000	-
			<u>5,000</u>	<u>-</u>
See also note 18				

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8 Accruals and deferred income	2008		2007	
	£		Unaudited £	
Audit fee		6,000		-
Management fee		-		3,646
Administration fee		-		20,912
Tax adviser fee		-		569
		<u>6,000</u>		<u>25,127</u>

9 Amounts due to group entities	2008		2007	
	£		Unaudited £	
R.E.A. Holdings plc: loan account	USD	36,500,000	<u>25,347,222</u>	<u>15,213,488</u>
			<u>25,347,222</u>	<u>15,213,488</u>

Pursuant to a Loan Agreement made between the Company and R.E.A. Holdings plc and dated 29 July 2008, the parties agreed that the Company shall repay the loan of US\$36.5m as and when the cash requirements and covenant arrangements of the Company so permit and in any event on 31 December 2017.

Balance loan as per 1 January		15,213,488		15,628,305
Increase/ (decrease)		3,261,487		(94,934)
Currency exchange rate differences		6,872,247		(319,883)
Balance loan as per 31 December		<u>25,347,222</u>		<u>15,213,488</u>

10 Bond loans	2008		2007	
	£		Unaudited £	
Bonds issued		<u>37,000,000</u>		<u>22,000,000</u>
		<u>37,000,000</u>		<u>22,000,000</u>

The 9.5 per cent guaranteed sterling notes 2015-17 ("the Notes") are irrevocably guaranteed by the Company's parent company, R.E.A. Holdings plc, a company incorporated in the United Kingdom whose share capital is listed on the London Stock Exchange. The Notes are secured principally by way of a first charge over all monies due to the Company from time to time by PT REA Kaltim Plantations and by PT Sasana Yudha Bhakti. All costs relating to the issue of the Notes are borne by those group entities (in note 1) to which the company has made loans.

Balance as at 1 January		22,000,000		15,000,000
Increase/ (decrease)		15,000,000		7,000,000
Balance as at 31 December		<u>37,000,000</u>		<u>22,000,000</u>

11 Capital and reserves

The authorised share capital of the Company amounts to EUR 90,000 divided into 90,000 shares of EUR 1 each, of which 18,000 shares have been issued, fully paid. The share capital is recorded at the rate of exchange at the balance sheet date. At 31 December 2008 the rate was 1 GBP = 1.0346 EUR.

At the annual general meeting of shareholders held on 1 August 2008 it was resolved to add the balance of the unappropriated result for 2007 to the other reserves.

	Share capital	Translation reserve	Share premium	Other reserves	Unappropriated results
Unaudited balance as at 31.12.06	12,087	137	350,000	-	2,896
Paid-in/ (repaid)	-	-	35,000	-	-
Transfer	-	-	-	2,896	(2,896)
Dividend	-	-	-	-	-
Revaluation	1,116	(1,116)	-	-	-
Result for the period	-	-	-	-	74,836
Unaudited balance as at 31.12.07	<u>13,203</u>	<u>(979)</u>	<u>385,000</u>	<u>2,896</u>	<u>74,836</u>
Paid-in/ (repaid)	-	-	90,000	-	-
Transfer	-	-	-	74,836	(74,836)
Dividend	-	-	-	-	-
Revaluation	4,198	(4,198)	-	-	-
Result for the period	-	-	-	-	91,437
Balance as at 31.12.08	<u>17,401</u>	<u>(5,177)</u>	<u>475,000</u>	<u>77,732</u>	<u>91,437</u>

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Profit and loss account

12 Interest income on loans to group entities	2008	2007
		Unaudited
	£	£
PT REA Kaltim Plantations	4,408,799	4,071,591
PT Sasana Yudha Bhakti	497,578	-
	<u>4,906,377</u>	<u>4,071,591</u>
13 Interest expense on loans from group entities	2008	2007
		Unaudited
	£	£
Interest payable on loans from group entities	1,275,450	1,271,824
	<u>1,275,450</u>	<u>1,271,824</u>
14 Interest expense on bond loans	2008	2007
		Unaudited
	£	£
Interest payable bonds	2,802,500	2,136,459
	<u>2,802,500</u>	<u>2,136,459</u>
15 Other interest income	2008	2007
		Unaudited
	£	£
Bank interest on deposit accounts	11,387	9,418
	<u>11,387</u>	<u>9,418</u>
16 Currency exchange rate differences	2008	2007
		Unaudited
	£	£
On finance activities	7,123	56
	<u>7,123</u>	<u>56</u>
17 General and administrative expenses	2008	2007
		Unaudited
	£	£
Management	2,893	2,991
Guarantee fee - R.E.A. Holdings plc	221,250	164,571
Administration	19,293	11,840
Tax advice	7,145	3,261
Notary expenses	1,846	1,030
Bank charges	1,348	1,109
Audit fee Deloitte Accountants B.V.	6,000	-
General expenses	87	5,984
	<u>259,862</u>	<u>190,786</u>

The amount payable to Deloitte Accountants B.V. relates to the audit of the Company's financial statements for 2008.

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18 Taxation on the result on ordinary activities before taxation	2008	2007
		Unaudited
	£	£
Overseas withholding taxes	490,638	407,160
Corporate income tax	5,000	-
	<u>495,638</u>	<u>407,160</u>

The Company has concluded an Advance Pricing Agreement and an Advance Tax Ruling with the Dutch fiscal authorities dated 21 February 2007. The Company's financing activities are based on a transfer pricing report and are confirmed to be conducted at arm's length in the Advance Pricing Agreement. The profit on such financing activities comprises interest received on loans to Indonesian group entities, less interest payable on loans from group and external entities and operating expenses relating to such activities. Dutch corporate income tax is assessable on such profit less a credit for withholding taxes deducted from interest received in accordance with the provisions of the Dutch/Indonesian tax treaty. Accordingly, the Dutch corporate income tax on the profit arising on the financing activities for 2007 and 2008 has been reduced to nil by virtue of the credit derived from such withholding taxes. Any balance of withholding taxes not so utilised may be carried forward to future years. Dutch corporate income tax at an average rate of 23.4% amounting to £5,000 has been provided on the profit arising in 2008 (2007: nil) on other activities. In the event that the Dutch fiscal authorities do not allow the Indonesian withholding taxes as a credit against Dutch corporate income tax liability arising on the profit on the financing activities for 2007 and 2008, it is estimated that additional Dutch corporate income tax amounting to approximately £48,000 would be payable. No provision has been made in these financial statements for this amount as the management board is of the opinion that the withholding taxes are a proper credit against the relevant Dutch corporate income tax assessment.

Staff numbers and employment costs

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

Directors

The Company has one (2007: one) managing director, who receives remuneration.
The Company has no (2007: none) supervisory directors.

Amsterdam, 8 May 2009
Fortis Intertrust (Netherlands) B.V.

REA Finance B.V., Amsterdam

Other information

To: the shareholder of REA Finance B.V.

Report of the auditor

Report on the financial statements

We have audited the accompanying financial statements of REA Finance B.V. which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the related notes on pages 7 to 11. The financial statements for the year 2007 are unaudited. The amounts included for comparative purposes in the profit and loss account have therefore not been audited.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Company accounts and for the preparation of the report of the management both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company's financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of REA Finance B.V. as at 31 December 2008, and of its result for the year then ended in accordance with Netherlands accounting standards and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the management board is consistent with the Company accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, The Netherlands, 8 May 2009
Deloitte Accountants B.V.

J. Penon

REA Finance B.V., Amsterdam

Other information (continued)

Statutory rules relating to the appropriation of results

In accordance with a restriction prescribed by Dutch law, a company may only make a distribution of profit provided that shareholders' equity exceeds its issued share capital and legal reserves, in which case the remaining reserves and the unappropriated profit for the year may be dealt with by shareholders in accordance with the Company's articles of association.

Appropriation of the result for the year

The management proposes to the shareholder to add the result for the year to the other reserves. This proposal is not reflected in these accounts.

Subsequent events

No events have occurred since the balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the annual accounts now presented.