R.E.A. Holdings plc (RE.)
R.E.A. Holdings plc: Annual report in respect of 2021

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R.E.A. HOLDINGS PLC (the "company")

ANNUAL FINANCIAL REPORT 2021

The company's annual report for the year ended 31 December 2021 (including notice of the annual general meeting to be held on 9 June 2022) (the "annual report") will shortly be available for downloading from the group's website at www.rea.co.uk.

A copy of the notice of annual general meeting will also be available to download from the Investors section (under Calendar) of the website.

Upon completion of bulk printing, copies of the annual report will be despatched to persons entitled thereto and will be submitted to the National Storage Mechanism to be made available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

The sections below entitled "Chairman's statement", "Dividends", "Principal risks and uncertainties", "Viability statement", "Going concern" and "Directors' responsibilities" have been extracted without material adjustment from the annual report. The basis of presentation of the financial information set out below is detailed in note 1 to the financial statements below.

HIGHLIGHTS

Overview

- Return to profitability in 2021 and payment of preference dividends resumed
- Higher average selling prices for CPO and CPKO: increased by, respectively, 37 per cent and 88 per cent to $777 per tonne (2020: $566) and $1,157 per tonne (2020: $615)

Financial

- Revenue increased by 38 per cent in 2021 to $191.9 million (2020: $139.1 million)
- EBITDA more than doubled to $75.8 million (2020: $36.8 million)
- Group net indebtedness reduced from $189.4 million in 2020 to $175.7 million in 2021
- Dollar note maturity extended by four years to 30 June 2026
- New Indonesian bank facilities secured with longer maturities and lower interest rates

Agricultural operations

- FFB production of 738,024 (2020: 765,821)
- CPO extraction rate averaging 22.4 per cent (2020: 22.5 per cent)
- Expansion of SOM complete, ensuring sufficient processing capacity for foreseeable future

Stone and coal

- In principle agreement for sale by ATP of 1 million cubic metres of andesite stone to neighbouring coal company over 24 months with quarrying expected to commence in 2022
- Coal mining operations recommenced at IPA's Kota Bangun concession and first 3 coal shipments totalling 94,500 tonnes completed to date in 2022
- Group expecting early recovery of coal loans and to withdraw from coal interests as soon as practicable

Sustainability

- Increased score in the SPOTT assessment by the Zoological Society of London of 84.4 per cent, up from 79.8 per cent (ranked 8th out of 100 companies assessed)
- Independent review of strategy and practices commissioned to evaluate and address climate related risks and opportunities and develop roadmap for further reducing GHG emissions
- Pilot projects established to provide financing and training for smallholders to improve productivity, traceability of FFB supply chain, encourage diversification, and reduce pressure on forests outside the group's concessions
- Platinum certificate awarded by Ministry of Manpower for the group's Covid prevention and control programme

Outlook

- CPO prices firm in the first quarter of 2022 and projected to remain at remunerative levels
- Resumption of extension planting and further replanting of older areas in 2022 to enhance agricultural operations
- Programme to increase durability of roads based on stone to be provided by the ATP quarry
- Third methane capture plant to be constructed at SOM to improve carbon footprint and further reduce dependence on diesel for transport and electricity generation
- Healthy margins again improving the financial position in 2022, despite significant potential inflationary costs, particularly for fertiliser
- Longer term, expansion of planted hectarage and progressive reduction in net indebtedness placing the group on a solid footing for the future

CHAIRMAN'S STATEMENT

2021 was a transformative year for REA. The group saw a return to profitability, resumed payments of current dividends on the preference shares and started to make payments in respect of the dividend arrears on the preference shares. In addition, the group successfully replaced all its bank facilities with new facilities for longer maturities and at lower rates of interest. 2021 also saw the recommencement of coal mining operations at the Kota Bangun concession held by a local company to which the group has extended loans.

Fortunately, the disruptions of Covid to the group's operations have been limited. The group's vaccination and testing programmes continue at a pace with almost 14,000 vaccination doses being administered during 2021. These programmes are continuing through 2022 with second and third vaccine doses now being administered.

The group remains committed to ensuring that its environmental, social and governance ("ESG") practices meet the evolving challenges of climate change and biodiversity loss and can deliver sustainable growth for the benefit of all stakeholders into the future. In the 2021 annual Sustainable Palm Oil Transparency Toolkit ("SPOTT") assessment by the Zoological Society of London, the group increased its score from 79.8 per cent to 84.4 per cent and ranked 8th out of the 100 participants assessed against 182 ESG indicators.

Monitoring and reporting its greenhouse gas ("GHG") emissions have been central to the group's sustainability credentials for over ten years. In addition to the disclosures of emissions in accordance with the Streamlined Energy and Carbon Reporting rules ("SECR"), Taskforce on Climate-related Financial Disclosures ("TCFD") are now also included in the annual report.

The group is committed to adopting an open approach to recruitment, promotion and career development irrespective of age, gender, national origin or professional background. Substantial progress has been made in implementing this open approach to diversity as evidenced by the composition of the group board, Indonesian subsidiary boards, senior management and the recent establishment of a diversity, equality and inclusion committee.

Following the growth in the group's agricultural production in the first half of the year, there were some setbacks during the second half. In particular, above average rainfall and the number of rain days made harvesting and crop evacuation difficult. These delays were exacerbated by delays in road maintenance and upkeep with some roads being impassable for considerable periods of time.

Some crop was lost as a result of the previously reported fire in one of the two boilers at the Perdana oil mill ("POM"). Further, while crop levels were higher in the second half of the year than the first, the normal higher peak levels expected in the last quarter of the year were not as significant as expected. Reports of similar experiences were common throughout East Kalimantan, reflecting delayed fruit ripening, most likely caused by reduced hours of sunlight consequent upon the number of rain days.

The reinstatement work to the boiler at POM should be completed towards the end of 2022. In the meantime, the expansion of the Satria oil mill and maintenance works at the Cakra oil mill are near completion ensuring that the group has sufficient capacity to process all its FFB crops for the foreseeable future.

Crops harvested during the year amounted to 738,024 tonnes, some 4 per cent below the level achieved in 2020 of 765,821 tonnes. The crop yield per mature hectare was 20.7 tonnes compared with 22.0 tonnes in 2020. Crops harvested by third parties amounted to 210,978 tonnes compared with 205,544 tonnes in 2020.

With slightly lower crop levels, production of CPO was also marginally down on the previous year and totalled 209,006 tonnes (2020: 213,536 tonnes). Whilst considerable effort was made during the year to improve CPO extraction rates, the overall result was 22.4 per cent, marginally lower than the result achieved in 2020 of 22.5 per cent, reflecting the generally lower quality of processed fruit because of the delays in harvesting and crop evacuation. Production of CPKO and palm kernels amounted to 17,361 tonnes and 44,735 tonnes, respectively, similar to the production levels achieved in 2020 of, respectively, 16,164 tonnes and 47,186 tonnes. Oil extraction rates for palm kernels and CPKO were again similar to those achieved the previous year at 4.8 per cent and 39.5 per cent respectively.

CPO prices remained firm throughout 2021 aided by a shortage of foreign labour in Malaysia and a lack of growth in Indonesian production. The CPO price, CIF Rotterdam, opened the year at $1,050 per tonne and closed at $1,275 per tonne after reaching a high of $1,425 per tonne at the end of October. The benefit of these higher prices was partially offset by the significant levels of export duty and levy imposed by the Indonesian government in 2021.

The group's average selling price for CPO during 2021, including the premia for certified oil, but net of export levy and duty, adjusted to FOB Samarinda, was $777 per tonne, some 37 per cent higher than that obtained in 2020 of $566 per tonne. The group's average selling price for CPKO on the same basis was $1,157 per tonne, an increase of 88 per cent on the average 2020 price of $615 per tonne.

Revenues increased by 38 per cent in 2021, totalling $191.9 million compared with $139.1 million in 2020, reflecting the considerably higher selling prices more than offsetting the slightly lower production volumes. Estate operating costs were some 17 per cent higher compared with 2020, primarily due to increased fertiliser applications in 2021(including a delayed fertiliser application postponed from 2020) and the additional costs incurred for harvesting and evacuating crops as a result of the high rainfall and consequent poor condition of estate roads and normal road upkeep programmes being severely delayed.

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") amounted to $75.8 million for 2021, a $39.0 million improvement on the 2020 comparative of $36.8 million. EBITDA in the second half of the year was $48.1 million, significantly higher than in the first half ($27.7 million) reflecting the weighting of the group's crops to the second half of the year and the higher selling prices obtained during that period. Profits before tax amounted to $29.2 million compared with a loss of $23.3 million in 2020 although the loss incurred in 2020 included impairments and similar charges of $9.5 million.

Shareholders' funds less non-controlling interests at 31 December 2021 amounted to $225.6 million compared with $226.8 million at the end of 2020. Non-controlling interests at 31 December 2021 totalled $20.8 million (2020: $19.0 million).

Total net indebtedness was reduced from $189.4 million at 31 December 2020 to $175.7 million on 31 December 2021. The reduction of $13.7 million was due to the increase in cash of $35.1 million and repayment of loans to non-controlling shareholder and related parties of $5.0 million, set against an increase in bank borrowings of $27.0 million.

The group successfully negotiated the provision of new banking facilities with its Indonesian bankers, PT Bank Mandiri (Persero) Tbk ("Mandiri"). The new facilities provide for increased borrowings, longer maturities and lower rates of interest. The group has also reached understandings with its principal customers on the continued availability of pre-sale advances at levels that are satisfactory to the group.

Following the 2021 year end, proposals were submitted to the holders of what were then the company's 7.5 per cent dollar notes 2022 to extend the maturity date of the notes by four years, but on terms whereby the group would purchase, on the existing maturity date of 30 June 2022, any notes held by those holders who do not wish to retain their notes for the extended period and that have not already been on sold to new or other existing noteholders. It is the intention to sell any notes purchased by the group in this way as and when market conditions allow. The noteholders approved the proposals and they became effective on the 3 March 2022. The number of notes, if any, to be purchased by the group will be known on 21 June 2022.

Coal mining operations at the PT Indo Pancadasa Agrotama ("IPA") concession in Kota Bangun recommenced at the end of 2021. Two initial coal sale contracts, together amounting to 61,500 tonnes, were shipped during the first quarter of 2022, and a third contract of 33,000 tonnes has been shipped in April. Regular monthly shipments are now planned for the rest of 2022. Based on current selling prices and costs, such sales may result in a profit contribution of in excess of $200 per tonne to be shared between IPA and its contractor in the proportion 70:30. The rapid extraction of coal at IPA encourages an expectation of significant near term recovery of the group's loans to IPA. It remains the directors' intention that the group should withdraw from its coal interests as soon as practicable.

An in principal agreement between the stone concession holding company, PT Aragon Tambang Pratama ("ATP"), and a neighbouring coal company was signed towards the end of 2021. The agreement provides for the sale, over a period of 24 months, of 1 million cubic metres of andesite stone by ATP to the coal company for the construction of a new road to be built by the coal company from its coal concession area through the company's estates and on to the Mahakam River. ATP will also supply stone for other infrastructure projects, including all weather roads in the group's agricultural operations. Negotiations for the appointment of a contractor to operate the quarry are being finalised and quarrying is expected to commence later in 2022.

The payment of dividends on the company's 9 per cent cumulative preference shares was resumed in June 2021. In addition to the payment in December 2021 of the current preference share dividend of 4.5p per share, a further 1p per share was paid in respect of the cumulative arrears then outstanding of 18p per share. It is the directors' intention that, in addition to paying the preference dividends accruing in respect of 2022, the company will also pay not less than 10p per share of the remaining 17p arrears of dividend during 2022.

On behalf of the board of directors, I would like to record our thanks to Ms Irene Chia who, for health reasons, retired at the end of 2021 after 10 years of service as a non-executive director of the company. Ms Chia's wide experience of business in South East Asia and independence of thought will be much missed. The company intends to appoint during the course of 2022 a new director who ideally will be resident in South East Asia.

CPO prices have continued to be firm in the first quarter of 2022 with CIF Rotterdam prices reaching a high of $1,990 per tonne in March and currently trading around $1,720 per tonne. At such levels, the group should continue to generate healthy margins after Indonesian export duties and levies and thereby further improve its financial position. The group does face significant potential inflation in costs, particularly in relation to fertiliser, but nevertheless expects to benefit from strong cash generation in its operations during 2022. The position should be further improved by loan repayments from IPA and, following the commencement of stone quarrying operations, from ATP.

The group intends to enhance the agricultural operations by resuming extension planting and further replanting of older areas where crop yields are no longer sufficient to generate acceptable margins. The resultant prospect of longer term increases in crop, coupled with the expected progressive reduction in net indebtedness, should place the group on a solid footing for the future.

David J BLACKETT
Chairman

ANNUAL GENERAL MEETING

The sixty second annual general meeting of R.E.A. Holdings plc will be held at the London office of Ashurst LLP at London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW on 9 June 2022 at 10.00 am

Attendance

The directors are looking forward to once again welcoming shareholders to the AGM in person, following the restrictions necessitated by the Covid-19 pandemic that prevented in-person meetings in 2020 and 2021. To help ensure the health and safety of all attendees and manage the number of people in attendance, we are asking that only shareholders or their duly nominated proxies or corporate representatives attend the AGM in person. Anyone who is not a shareholder or their duly nominated proxies or corporate representatives should not attend the AGM unless arrangements have been made in advance with the company secretary by emailing company.secretary@rea.co.uk.

Shareholders are strongly encouraged to submit a proxy vote on each of the resolutions in the notice in advance of the meeting:

i. via the website of the registrars, Link Group ("Link"), at www.signalshares.com, via the LinkVote+ app (and so that the appointment is received by the service by no later than 10.00 am on 7 June 2022) or via the CREST electronic proxy appointment service; or

ii. by completing, signing and returning a form of proxy to Link as soon as possible and, in any event, so as to arrive by no later than 10.00 am on 7 June 2022.

The company will continue to closely monitor the situation in the lead up to the meeting and will make any further updates about the meeting on the home page and the Investors section (under Regulatory news) of the group's website at www.rea.co.uk. Shareholders are accordingly requested to watch the group's website for any such further updates.

The health and wellbeing of the company's shareholders, directors and employees, is of paramount importance and the company, if it becomes necessary, shall take such further steps in relation to the meeting as are appropriate with this in mind.

The directors and the chairman of the meeting and any person so authorised by the directors reserve the right, as set out in article 67 in the company's articles of association, to take such action as they think fit for securing the safety of people at the meeting and promoting the orderly conduct of business at the meeting.

PRINCIPAL RISKS AND UNCERTAINTIES

The group's business involves risks and uncertainties. Identification, assessment, management and mitigation of the risks associated with environmental, social and governance matters forms part of the group's system of internal control for which the board has ultimate responsibility. The board discharges that responsibility as described in "Corporate governance" in the annual report.

Those principal risks and uncertainties that the directors currently consider to be material or prospectively material are described below. There are or may be other risks and uncertainties faced by the group (such as future natural disasters or acts of God) that the directors currently deem immaterial, or of which they are unaware, that may have a material adverse impact on the group.

In addition to the risks that have long been normal aspects of its business, Covid remains a risk to the group, assessment of which is measured against the impacts experienced to date and the likelihood of further impacts in the future. Overall, as noted elsewhere in the Strategic report of the annual report, Covid has had limited direct effect on the group's day to day operations, save for periodic shortfalls in the availability of harvesters, contractors and spare parts due to travel restrictions. Policies and health protocols in accordance with regulations and guidelines, including antibody and antigen testing, as well as a vaccination programme funded by the group for those not eligible for vaccination under the Indonesian government vaccination programme, have helped to limit the impacts of Covid. With the rollout of vaccines, the risks associated with Covid to the group's employees, production, deliveries and markets appear to be diminishing.

Whilst the war in Ukraine has to date been perceived to have benefited CPO prices, resultant impacts on the pricing of necessary inputs to the group's operations, such as fuel and fertiliser, may result in material inflation in group costs. Moreover, lack of availability of such inputs would negatively affect the group's production volumes.

Climate change represents an emerging risk both for the potential impacts of the group's operations on the climate and the effects of climate change on the group's operations. The group has been monitoring and working to minimise its GHG emissions for over ten years, with levels of GHG emissions an established key performance indicator for the group and for accreditation by the independent certification bodies to which the group subscribes. In addition to reporting on energy consumption and efficiency in accordance with the UK Government's SECR framework, the group also includes disclosures in accordance with the TCFD recommendations in the annual report.

Material risks, related policies and the group's successes and failures with respect to environmental, social and governance matters and the measures taken in response to any failures are described in more detail under "Sustainability" in the annual report. 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 both identified and unidentified areas of risk, but such management cannot provide insurance against every possible eventuality.

The effect of an adverse incident relating to the stone and coal interests, as referred to below, could impact the ability of the stone and coal companies to repay their loans. As noted elsewhere in the Strategic report of the annual report, it is the group's intention to withdraw from its coal interests as soon as practicable.

Risks assessed by the directors as currently being of particular significance, including climate change, are those detailed below under:

- "Agricultural operations - Produce prices"
- "General - Cost inflation"
- "Agricultural operations - Climatic factors"
- "Agricultural operations - Other operational factors".

The directors' assessment, as respects produce prices and cost inflation, reflects the key importance of those risks in relation to the matters considered in the "Viability statement" in the "Directors' report" of the annual report and, as respects climatic and other operational factors, the negative impact that could result from adverse incidence of such risks.

Risk	Potential impact	Mitigating or other relevant considerations
Agricultural operations		
Climatic factors		
Material variations from the norm in climatic conditions	A loss of crop or reduction in the quality of harvest resulting in loss of potential revenue	Over a long period, crop levels should be reasonably predictable
Unusually low levels of rainfall that lead to a water availability below the minimum required for the normal development of the oil palm	A reduction in subsequent crop levels resulting in loss of potential revenue; the reduction is likely to be broadly proportional to the cumulative size of the water deficit	Operations are located in an area of high rainfall. Notwithstanding some seasonal variations, annual rainfall is usually adequate for normal development
Overcast conditions	Delayed crop formation resulting in loss of potential revenue	Normal sunshine hours in the location of the operations are well suited to the cultivation of oil palm
Low levels of rainfall disrupting river transport or, in an extreme situation, bringing it to a standstill	Inability to obtain delivery of estate supplies or to evacuate CPO and CPKO (possibly leading to suspension of harvesting)	The group has established a permanent downstream loading facility, where the river is tidal. In addition, road access between the ports of Samarinda and Balikpapan and the estates offers a viable alternative route for transport with any associated additional cost more than outweighed by avoidance of the potential negative impact of disruption to the business cycle by any delay in evacuating CPO and CPKO
Cultivation risks		
Failure to achieve optimal upkeep standards	A reduction in harvested crop resulting in loss of potential revenue	The group has adopted standard operating practices designed to achieve required upkeep standards
Pest and disease damage to oil palms and growing crops	A loss of crop or reduction in the quality of harvest resulting in loss of potential revenue	The group adopts best agricultural practice to limit pests and diseases
Other operational factors		
Shortages of necessary inputs to the operations, such as fuel and fertiliser	Disruption of operations or increased input costs leading to reduced profit margins	The group maintains stocks of necessary inputs to provide resilience and has established biogas plants to improve its self-reliance in relation to fuel with construction of a further biogas plant now planned to increase self-reliance and reduce costs as well as GHG emissions
High levels of rainfall or other factors restricting or preventing harvesting, collection or processing of FFB crops	FFB crops becoming rotten or over ripe leading either to a loss of CPO production (and hence revenue) or to the production of CPO that has an above average free fatty acid content and is saleable only at a discount to normal market prices	The group endeavours to employ a sufficient complement of harvesters within its workforce to harvest expected crops, to provide its transport fleet with sufficient capacity to collect expected crops under likely weather conditions and to maintain resilience in its palm oil mills with each of the mills operating separately and some ability within each mill to switch from steam based to biogas or diesel based electricity generation
Disruptions to river transport between the main area of operations and the Port of Samarinda or delays in collection of CPO and CPKO from the transhipment terminal	The requirement for CPO and CPKO storage exceeding available capacity and forcing a temporary cessation in FFB harvesting or processing with a resultant loss of crop and consequential loss of potential revenue	The group's bulk storage facilities have sufficient capacity for expected production volumes and further storage facilities are afforded by the fleet of barges; together, these have hitherto always proved adequate to meet the group's requirements for CPO and CPKO storage and can be expanded to

		accommodate anticipated increases in production
Occurrence of an uninsured or inadequately insured adverse event; certain risks (such as crop loss through fire or other perils), for which insurance cover is either not available or is considered disproportionately expensive, are not insured	Material loss of potential revenues or claims against the group	The group maintains insurance at levels that it considers reasonable against those risks that can be economically insured and mitigates uninsured risks to the extent reasonably feasible by management practices
Produce prices		
Volatility of CPO and CPKO prices which as primary commodities may be affected by levels of world economic activity and factors affecting the world economy, including levels of inflation and interest rates	Reduced revenue from the sale of CPO and CPKO and a consequent reduction in cash flow	Swings in CPO and CPKO prices should be moderated by the fact that the annual oilseed crops account for the major proportion of world vegetable oil production and producers of such crops can reduce or increase their production within a relatively short time frame
Restriction on sale of the group's CPO and CPKO at world market prices including restrictions on Indonesian exports of palm products and imposition of high export charges	Reduced revenue from the sale of CPO and CPKO and a consequent reduction in cash flow	The Indonesian government applies sliding scales of charges on exports of CPO and CPKO, which are varied from time to time in response to prevailing prices, and has, on occasions, placed restrictions on the export of CPO and CPKO; in recent years, export charges and restrictions have always allowed producers economic margins. The export levy charge funds biodiesel subsidies and thus supports the local price of CPO
Distortion of world markets for CPO and CPKO by the imposition of import controls or taxes in consuming countries	Depression of selling prices for CPO and CPKO if arbitrage between markets for competing vegetable oils proves insufficient to compensate for the market distortion created	The imposition of controls or taxes on CPO or CPKO in one area can be expected to result in greater consumption of alternative vegetable oils within that area and the substitution outside that area of CPO and CPKO for other vegetable oils
Expansion		
Failure to secure in full, or delays in securing, the land or funding required for the group's planned extension planting programme	Inability to complete, or delays in completing, the planned extension planting programme with a consequential reduction in the group's prospective growth	The group holds significant fully titled or allocated land areas suitable for planting. It works continuously to maintain permits for the planting of these areas and aims to manage its finances to ensure, in so far as practicable, that it will be able to fund any planned extension planting programme
A shortfall in achieving the group's planned extension planting programme negatively impacting the continued growth of the group	A possible adverse effect on market perceptions as to the value of the group's securities	The group maintains flexibility in its planting programme to be able to respond to changes in circumstances
Climate change		
Changes to levels and regularity of rainfall and sunlight hours	Reduced production	A negative effect on production would similarly affect many other oil palm growers in South East Asia leading to a reduction in CPO and CPKO supply, which would be likely to result in higher prices for CPO and CPKO in turn providing at least some offset against reduced production
Increase in water levels in the rivers running though the estates	Increasing requirement for bunding or loss of plantings in low lying areas susceptible to flooding	Less than ten per cent of the group's existing plantings are in low lying or flood prone areas. These areas are being bunded, subject to environmental considerations
Environmental, social and governance practices		
Failure by the agricultural operations to meet the standards expected of them as a large employer of significant economic importance to local communities	Reputational and financial damage	The group has established standard practices designed to ensure that it meets its obligations, monitors performance against those practices and investigates thoroughly

		and takes action to prevent recurrence in respect of any failures identified
Criticism of the group's environmental practices by conservation organisations scrutinising land areas that fall within a region that in places includes substantial areas of unspoilt primary rain forest inhabited by diverse flora and fauna	Reputational and financial damage	The group is committed to sustainable development of oil palm and has obtained RSPO certification for most of its current operations. All group oil palm plantings are on land areas from which logs have previously been extracted by logging companies and which have subsequently been zoned by the Indonesian authorities as appropriate for agricultural development. The group maintains substantial conservation reserves that safeguard landscape level biodiversity
Community relations		
A material breakdown in relations between the group and the host population in the area of the agricultural operations	Disruption of operations, including blockages restricting access to oil palm plantings and mills, resulting in reduced and poorer quality CPO and CPKO production	The group seeks to foster mutually beneficial economic and social interaction between the local villages and the agricultural operations. In particular, the group gives priority to applications for employment from members of the local population, encourages local farmers and tradesmen to act as suppliers to the group, its employees and their dependents and promotes smallholder development of oil palm plantings
Disputes over compensation payable for land areas allocated to the group that were previously used by local communities for the cultivation of crops or as respects which local communities otherwise have rights	Disruption of operations, including blockages restricting access to the area the subject of the disputed compensation	The group has established standard procedures to ensure fair and transparent compensation negotiations and encourages the local authorities, with whom the group has developed good relations and who are therefore generally supportive of the group, to assist in mediating settlements
Individuals party to a compensation agreement subsequently denying or disputing aspects of the agreement	Disruption of operations, including blockages restricting access to the areas the subject of the compensation disputed by the affected individuals	Where claims from individuals in relation to compensation agreements are found to have a valid basis, the group seeks to agree a new compensation arrangement; where such claims are found to be falsely based the group encourages appropriate action by the local authorities
Stone and coal interests		
Operational factors		
Failure by external contractors to achieve agreed production volumes with optimal stripping values or extraction rates	Under recovery of receivables	The stone and coal concession companies endeavour to use experienced contractors, to supervise them closely and to take care to ensure that they have equipment of capacity appropriate for the planned production volumes
External factors, in particular weather, delaying or preventing delivery of extracted stone and coal	Delays to or under recovery of receivables	Adverse external factors would not normally have a continuing impact for more than a limited period
Geological assessments, which are extrapolations based on statistical sampling, proving inaccurate	Unforeseen extraction complications causing cost overruns and production delays or failure to achieve projected production resulting in under recovery of receivables	The stone and coal concession companies seek to ensure the accuracy of geological assessments of any extraction programme
Prices		
Local competition reducing stone prices and volatility of international coal prices	Reduced revenue and a consequent reduction in recovery of receivables	There are currently no other stone quarries in the vicinity of the stone concessions and the cost of transporting stone should restrict competition. The high quality of the coal in

		the main coal concession may limit volatility
Imposition of additional royalties or duties on the extraction of stone or coal or imposition of export restrictions	Reduced revenue and a consequent reduction in recovery of receivables	The Indonesian government has not to date imposed measures that would seriously affect the viability of Indonesian stone quarrying or coal mining operations notwithstanding the imposition of some temporary limited export restrictions in response to the exceptional circumstances relating to the war in Ukraine
Unforeseen variations in quality of deposits	Inability to supply product within the specifications that are, at any particular time, in demand, with reduced revenue and a consequent reduction in recovery of receivables	Geological assessments ahead of commencement of extraction operations should have identified any material variations in quality
Environmental, social and governance practices		
Failure by the stone and coal interests to meet the standards expected of them	Reputational and financial damage	The areas of the stone and coal concessions are relatively small and should not be difficult to supervise. The stone and coal concession companies are committed to international standards of best environmental and social practice and, in particular, to proper management of waste water and reinstatement of quarried and mined areas on completion of extraction operations
Climate change		
High levels of rainfall	Disruptions to mining or quarrying operations and road transport	The concession holding companies are working with experienced, large contracting companies that have been able to deploy additional equipment in order to meet production and transportation targets during periods of higher rainfall
General		
Currency		
Strengthening of sterling or rupiah against the dollar	Adverse exchange movements on those components of group costs and funding that arise in rupiah or sterling	As respects costs and sterling denominated shareholder capital, the group considers that this risk is inherent in the group's business and structure and must simply be accepted. As respects borrowings, where practicable the group seeks to borrow in dollars but, when borrowing in another currency, considers it better to accept the resultant currency risk than to hedge that risk with hedging instruments
Cost inflation		
Increased costs as result of worldwide economic factors or shortages of required inputs, such as fertiliser and diesel, arising from the war in Ukraine	Reduction in operating margins	Cost inflation is likely to have a broadly equal impact on all oil palm growers and may be expected to restrict CPO supply if production of CPO becomes uneconomic
Funding		
Bank debt repayment instalments and other debt maturities coincide with periods of adverse trading and negotiations with bankers and investors are not successful in rescheduling instalments, extending maturities or otherwise concluding satisfactory refinancing arrangements	Inability to meet liabilities as they fall due	The group maintains good relations with its bankers and other holders of debt who have generally been receptive to reasonable requests to moderate debt profiles or waive covenants when circumstances require as was the case when waivers of certain breaches of bank loan covenants by group companies at 31 December 2020 were subsequently waived; moreover, the directors believe that the fundamentals of

		the group's business will normally facilitate procurement of additional equity capital should this prove necessary
Counterparty risk		
Default by a supplier, customer or financial institution	Loss of any prepayment, unpaid sales proceeds or deposit	The group maintains strict controls over its financial exposures which include regular reviews of the creditworthiness of counterparties and limits on exposures to counterparties. In addition, 90 per cent of sales revenue is receivable in advance of product delivery
Regulatory exposure		
New, and changes to, laws and regulations that affect the group (including, in particular, laws and regulations relating to land tenure, work permits for expatriate staff and taxation)	Restriction on the group's ability to retain its current structure or to continue operating as currently	The directors are not aware of any specific planned changes that would adversely affect the group to a material extent; current regulations restricting the size of oil palm growers in Indonesia will not impact the group for the foreseeable future
Breach of the various continuing conditions attaching to the group's land rights and the stone and coal concessions (including conditions requiring utilisation of the rights and concessions) or failure to maintain all permits and licences required for the group's operations	Civil sanctions and, in an extreme case, loss of the affected rights or concessions	The group endeavours to ensure compliance with the continuing conditions attaching to its land rights and concessions and that its activities and the activities of the stone and coal concession companies are conducted within the terms of the licences and permits that are held and that licences and permits are obtained and renewed as necessary
Failure by the group to meet the standards expected in relation to human rights, slavery, anti-bribery and corruption	Reputational damage and criminal sanctions	The group has traditionally had, and continues to maintain, strong controls in this area because Indonesia, where all of the group's operations are located, has been classified as relatively high risk by the International Transparency Corruption Perceptions Index
Restrictions on foreign investment in Indonesian mining concessions, limiting the effectiveness of co-investment arrangements with local partners	Constraints on the group's ability to recover its investment	The group endeavours to maintain good relations with the local partners in the group's mining interests so as to ensure that returns appropriately reflect agreed arrangements
Country exposure		
Deterioration in the political or economic situation in Indonesia	Difficulties in maintaining operational standards particularly if there was a consequential deterioration in the security situation	In the recent past, Indonesia has been stable and the Indonesian economy has continued to grow but, in the late 1990s, Indonesia experienced severe economic turbulence and there have been subsequent occasional instances of civil unrest, often attributed to ethnic tensions, in certain parts of Indonesia. The group has never, since the inception of its East Kalimantan operations in 1989, been adversely affected by regional security problems
Introduction of exchange controls or other restrictions on foreign owned operations in Indonesia	Restriction on the transfer of fees, interest and dividends from Indonesia to the UK with potential consequential negative implications for the servicing of UK obligations and payment of dividends; loss of effective management control	The directors are not aware of any circumstances that would lead them to believe that, under current political conditions, any Indonesian government authority would impose exchange controls or otherwise seek to restrict the group's freedom to manage its operations
Mandatory reduction of foreign ownership of Indonesian plantation operations	Forced divestment of interests in Indonesia at below market values with consequential loss of value	The group accepts there is a significant possibility that foreign owners may be required over time to divest partially ownership of Indonesian oil palm operations but has no reason to believe that such

		divestment would be at anything other than market value. Moreover, the group has local participation in all its Indonesian subsidiaries
Miscellaneous relationships		
Disputes with staff and employees	Disruption of operations and consequent loss of revenues	The group appreciates its material dependence upon its staff and employees and endeavours to manage this dependence in accordance with international employment standards as detailed under "Employees" in "Sustainability" in the annual report
Breakdown in relationships with local investors in the group's Indonesian subsidiaries	Reliance on the Indonesian courts for enforcement of the agreements governing its arrangements with local partners with the uncertainties that any juridical process involves and with any failure of enforcement likely to have, in particular, a material negative impact on the value of the stone and coal interests because those concessions are legally owned by the group's local partners	The group endeavours to maintain cordial relations with its local investors by seeking their support for decisions affecting their interests and responding constructively to any concerns that they may have

VIABILITY STATEMENT

The group's business activities, together with the factors likely to affect its future development, performance and position are described in the Strategic report of the annual report which also provides (under "Finance") a description of the group's cash flow, liquidity and financing adequacy and treasury policies.

The "Principal risks and uncertainties" section of the Strategic report of the annual report describes the material risks faced by the group and actions taken to mitigate those risks. In particular, there are risks associated with the group's local operating environment and the group is materially dependent upon selling prices for CPO and CPKO over which it has no control.

The group has material indebtedness, in the form of bank loans and listed notes. All of the listed notes fall due for repayment by 30 June 2026 and, for this reason, the directors have chosen the period to 31 December 2026 for their assessment of the long term viability of the group.

The group's present level of indebtedness reflects various challenges that have confronted the group in recent years. Over the period 2015 to 2017, group crops fell considerably short of the levels that had been expected. The reasons for this were successfully identified and addressed but, as crops recovered to better levels, the group had to contend with falling CPO prices. The resultant negative cash flow impact over several years had to be financed and led to the group assuming greater debt obligations than it would have liked.

An improvement in CPO prices in the closing months of 2020 continued into 2021 and the early months of 2022 have seen a further increase in prices. As a result, the group is now generating strong cash flows from its oil palm operations and has been able to reorganise its indebtedness on a basis that the group can sustain.

Following such reorganisation, the group's indebtedness at 31 December 2021, as detailed in "Capital structure" in the Strategic report of the annual report, amounted to $222.6 million, comprising Indonesian rupiah denominated term bank loans equivalent in total to $131.6 million, drawings under an Indonesian rupiah denominated working capital facility equivalent to $5.3 million, $27.0 million nominal of 7.5 per cent dollar notes 2022 ("dollar notes") and £30.9 million (equivalent to $42.5 million) of 8.75 per cent sterling notes 2025 ("sterling notes"). Since the beginning of 2022, the $5.3 million drawings under the Indonesian working capital facility have been repaid, a further Indonesian rupiah denominated term bank loan equivalent to $6.3 million has been drawn down and the maturity date of the dollar notes has been extended by four years. Following these changes, the total borrowings repayable in the period to 31 December 2026 (based on exchange rates ruling at 31 December 2021) amount to the equivalent of $173.2 million of which the major part will fall due in 2025 ($73.0 million) and 2026 ($48.2 million).

In addition to the cash required for debt repayments, the group also faces substantial demands on cash to fund capital expenditure, dividends and arrears of dividend on the company's preference shares and a potential liability to purchase dollar notes.

Capital expenditure in 2022 and later years is likely to be at a higher level than in 2021 as the group resumes extension planting, accelerates replanting of older oil palm areas, invests in improving its transport fleet and housing stock and initiates a programme of stoning the group's extensive road network to improve the durability of roads in periods of heavy rain. With the recent completion of the extension of the group's newest oil mill the group will have sufficient processing capacity for the foreseeable future and mill expenditure should be lower than in recent years.

Going forward, the company intends to pay the dividends arising on the preference shares in each year, amounting to 9p per share, as these fall due and to discharge the arrears of dividend on the preference shares amounting to 17p per share as to not less than 10p per share in 2022 and as to the balance in 2023. At the current exchange rate of £1 = $1.30, this will involve an outlay of $8.4 million per annum for future dividends and a further outlay of $15.9 million to discharge the full arrears.

In connection with the extension of the maturity date of the dollar notes, the group has undertaken to purchase at par, on 30 June 2022, the dollar notes held by any noteholder who has indicated by no later than 31 May 2022 that they do not wish to retain their notes beyond 30 June 2022 and for which the company's brokers have been unable to arrange buyers on terms acceptable to such noteholders. Whilst the group intends to sell, over time, any dollar notes so acquired by it, pending such sale, the group will have to fund the cash expended in purchasing dollar notes. The group has received an undertaking from one existing holder of $3 million nominal of the notes that it will retain that holding and will purchase a further $6 million nominal of notes. Holders of a further $12.0 million nominal of notes have indicated that they expect to retain their notes. Accordingly, since there are currently $27.0 million nominal of dollar notes in issue, the group does not expect that the funding required to bridge the purchase of notes by the group will exceed $6.0 million.

The group has for some years relied on funding provided by the group's customers in exchange for forward commitments of CPO and CPKO. Agreement has been reached to continue such funding in relation to contracts running to 2025.

Coal operations have recommenced at the IPA concession at Kota Bangun and are currently generating strong cash flows. It is expected that quarrying of the andesite stone concession held by ATP will commence later this year. As a result, the group has started to receive repayments of its loans to the stone and coal concession companies and such repayments should continue and may even accelerate.

Whilst commodity prices can be volatile, CPO and CPKO prices are generally expected to remain at remunerative levels for the foreseeable future. On that basis and even though, in the current economic environment, the group faces significant potential inflation in costs, particularly in relation to fertiliser, the group can expect that its operations will continue to generate good levels of cash flow.

Taking account of the cash already held by the group at 31 December 2021 of $46.9 million, and the combination of loan repayments from the stone and coal concession companies and cash flow from the oil palm operations, cash available to the group should be sufficient progressively to reduce the group's indebtedness while meeting the other prospective demands on group cash referred to above. If CPO and CPKO prices remain at favourable levels, the group should have sufficient cash to meet the listed debt redemptions falling due in 2025 and 2026 in full but, should this not be the case, the directors are confident that the improvements in the financial position of the group in the intervening years will be such that any shortfalls can be successfully refinanced at the relevant times.

Based on the foregoing, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the period to 31 December 2026 and to remain viable during that period.

GOING CONCERN

Factors likely to affect the group's future development, performance and position are described in the Strategic report of the annual report. The directors have carefully considered those factors, together with the principal risks and uncertainties faced by the group as well as emerging risks which are set out in the "Principal risks and uncertainties" section of the Strategic report in the annual report and have reviewed key sensitivities which could impact on the liquidity of the group.

As at 31 December 2021, the group had cash and cash equivalents of $46.9 million and borrowings of $222.6 million. Since the beginning of 2022, the $5.3 million drawings under the Indonesian working capital facility have been repaid, a further Indonesian rupiah denominated term bank loan equivalent to $6.3 million has been drawn down and the maturity date of the dollar notes has been extended by four years. Following these changes, the total borrowings repayable in the period to 30 June 2023 (based on exchange rates ruling at 31 December 2021) amount to the equivalent of $23.3 million.

In addition to the cash required for debt repayments, the group also faces substantial demands on cash in the period to 30 June 2023 to fund capital expenditure and dividends and arrears of dividend on the company's preference shares and to meet a potential liability to purchase dollar notes, as referred to in more detail in the "Viability statement" above.

The "Viability statement" also notes the continuation of funding from the group's customers, the group's expectations regarding loan repayments by the stone and coal concession holding companies and the prospect of good cash generation by the group's oil palm operations.

Taking account of the cash already held by the group at 31 December 2021 and the combination of loan repayments from the stone and coal concession companies and cash flow from the oil palm operations, cash available to the group should be sufficient to meet the debt repayments falling due in the period to 30 June 2023 while meeting the other prospective demands on group cash referred to above.

Having regard to the foregoing, based on the group's forecasts and projections (taking into account reasonable possible changes in trading performance and other uncertainties) and having regard to the group's cash position and available borrowings, the directors expect that the group should be able to operate within its available borrowings for at least 12 months from the date of approval of the financial statements.

For these reasons, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

DIRECTORS' RESPONSIBILITIES

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

To the best of the knowledge of each of the directors, they confirm that:

- the accompanying financial statements, prepared in accordance with UK adopted International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the Strategic report in the annual report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

The current directors of the company and their respective functions are set out in the "Board of directors" section of the annual report.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 $'000	2020* $'000
Revenue	**191,913**	**139,088**
Net gain / (loss) arising from changes in fair value of agricultural produce inventory	2,661	(777)
Cost of sales	(132,420)	(110,184)
Gross profit	**62,154**	**28,127**
Distribution costs	(637)	(2,835)
Administrative expenses	(13,434)	(16,486)
Operating profit	**48,083**	**8,806**
Investment revenues	1,483	525
Impairments and similar charges	-	(9,483)
Finance costs	(20,368)	(23,098)
Profit / (loss) before tax	**29,198**	**(23,250)**
Tax	(19,937)	7,232
Profit / (loss) for the year	**9,261**	**(16,018)**

Attributable to:		
Equity shareholders	7,326	(13,604)
Non-controlling interests	1,935	(2,414)
	9,261	**(16,018)**
Loss per 25p ordinary share (US cents)	**(3.4)**	**(31.0)**

* Restated - see note 19

The company is exempt from preparing and disclosing its profit and loss account. All operations for both years are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 $'000	2020* $'000
Profit / (loss) for the year	**9,261**	**(16,018)**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Deferred tax impact of change in subsidiary's functional currency	497	-
Exchange differences on translation of foreign operations	2	(1)
	499	(1)
Items that will not be reclassified to profit or loss:		
Correction of actuarial losses booked	-	(196)
Actuarial gains / (losses)	759	(620)
Deferred tax on actuarial (gains) / losses	(154)	105
	605	(711)
Total comprehensive income for the year	**10,365**	**(16,730)**
Attributable to:		
Equity shareholders	8,560	(14,034)
Non-controlling interests	1,805	(2,696)
	10,365	**(16,730)**

* Restated - see note 19

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	2021 $'000	2020* $'000
Non-current assets		
Goodwill	12,578	12,578
Intangible assets	361	1,098
Property, plant and equipment	365,798	376,551
Land	43,640	39,879
Financial assets: stone and coal interests	55,107	57,548
Deferred tax assets	4,275	8,931

Non-current receivables	5,300	5,302
Total non-current assets	487,059	501,887
Current assets		
Inventories	17,832	16,069
Biological assets	4,154	2,953
Trade and other receivables	34,284	39,890
Current tax asset	1,230	1,169
Cash and cash equivalents	46,892	11,805
Total current assets	104,392	71,886
Total assets	**591,451**	**573,773**
Current liabilities		
Trade and other payables	(54,720)	(47,201)
Current tax liabilities	(5,705)	(4,443)
Bank loans	(16,955)	(54,148)
Dollar notes	(26,985)	-
Other loans and payables	(7,293)	(7,321)
Total current liabilities	(111,658)	(113,113)
Non-current liabilities		
Trade and other payables	(1,489)	(20,712)
Bank loans	(119,871)	(56,062)
Sterling notes	(42,533)	(42,908)
Dollar notes	-	(26,891)
Deferred tax liabilities	(45,504)	(39,581)
Other loans and payables	(24,002)	(28,690)
Total non-current liabilities	(233,399)	(214,844)
Total liabilities	**(345,057)**	**(327,957)**
Net assets	**246,394**	**245,816**
Equity		
Share capital	133,586	133,586
Share premium account	47,358	47,358
Translation reserve	(25,101)	(25,833)
Retained earnings	69,721	71,680
	225,564	226,791
Non-controlling interests	20,830	19,025
Total equity	**246,394**	**245,816**

* Restated - see note 19

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium	Translation reserve	Retained earnings	Sub total	Non-controlling interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2020	133,586	47,358	(26,032)	84,779	239,691	12,999	252,690
Loss for the year*	-	-	-	(13,604)	(13,604)	(2,414)	(16,018)
Other comprehensive income for the year*	-	-	199	(628)	(429)	(282)	(711)
Reserve adjustment relating to warrant issue	-	-	-	1,133	1,133	-	1,133

New equity from non-controlling shareholder*	-	-	-	-	-	8,722	8,722
At 31 December 2020	133,586	47,358	(25,833)	71,680	226,791	19,025	245,816
Profit for the year	-	-	-	7,326	7,326	1,935	9,261
Other comprehensive income for the year	-	-	732	502	1,234	(130)	1,104'
Dividends to preference shareholders	-	-	-	(9,787)	(9,787)	-	(9,787)
At 31 December 2021	**133,586**	**47,358**	**(25,101)**	**69,721**	**225,564**	**20,830**	**246,394**

* Restated - see note 19

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 $'000	2020 $'000
Net cash from operating activities	**36,920**	**33,479**
Investing activities		
Interest received	1,483	525
Proceeds on disposal of property, plant and equipment	2,544	1,066
Purchases of property, plant and equipment	(13,456)	(10,768)
Expenditure on land	(3,754)	(3,897)
Repayment from / (investment in) stone and coal interests	2,441	(7,218)
Net cash used in investing activities	(10,742)	(20,292)
Financing activities		
Preference dividends paid	(9,787)	-
Repayment of bank borrowings	(110,210)	(18,734)
New bank borrowings drawn	137,255	5,250
Repayment of borrowings from related party	(4,068)	-
New borrowings from related party	-	4,031
Repayment of borrowings from non-controlling shareholder	(900)	(6,292)
New equity from non-controlling interests	-	8,722
Costs of extending repayment date of sterling notes	-	(459)
Payment of warranty obligations relating to divested subsidiary	-	(663)
Repayment of lease liabilities	(2,617)	(2,434)
Net cash from / (used in) financing activities	9,673	(10,579)
Cash and cash equivalents		
Net increase in cash and cash equivalents	35,851	2,608
Cash and cash equivalents at beginning of year	11,805	9,528
Effect of exchange rate changes	(764)	(331)
Cash and cash equivalents at end of year	**46,892**	**11,805**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation
The financial statements and notes 1 to 20 below (together the "financial information") have been extracted without material adjustment from the financial statements of the group for the year ended 31 December 2021 (the "2021 financial statements"). The auditor has reported on those accounts; the reports were unqualified and did not contain statements under sections 498(2) or (3) of the Companies Act 2006. Copies of the 2021 financial statements will be filed in the near future with the Registrar of

Companies. The accompanying financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 of the company.

Whilst the 2021 financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS") as brought into UK law on 31 December 2020 and with the Companies Act 2006, as at the date of authorisation of those accounts the accompanying financial information does not itself contain sufficient information to comply with IFRS.

The 2021 financial statements and the accompanying financial information were approved by the board of directors on 21 April 2022.

2. Revenue and cost of sales

	2021 $'000	2020 $'000
Revenue:		
Sales of goods	190,565	137,993
Revenue from management services	1,348	1,095
	191,913	139,088

Cost of sales:		
Depreciation and amortisation	(27,724)	(27,969)
Other costs	(104,696)	(82,215)
	(132,420)	(110,184)

3. Segment information

In the table below, the group's sales of goods are analysed by geographical destination and the carrying amount of non-current assets and other assets and liabilities is analysed by geographical area of asset location. The group operates in two segments: the cultivation of oil palms and stone and coal interests. In 2021 and 2020, the latter did not meet the quantitative thresholds set out in IFRS 8: Operating segments and, accordingly, no analyses are provided by business segment.

	2021 $'m	2020 $'m
Sales by geographical destination:		
Indonesia	191.9	117.3
Malaysia	-	21.8
	191.9	139.1

Carrying amount of non-current assets and other assets and liabilities by geographical area of asset location:

	2021 Europe $'m	2021 Indonesia $'m	2021 Total $'m	2020 Europe $'m	2020 Indonesia $'m	2020 Total $'m
Consolidated non-current assets	1.1	486.0	487.1	1.2	500.7	501.9
Consolidated current assets	0.8	103.6	104.4	2.4	69.5	71.9
Consolidated liabilities	(70.6)	(274.5)	(345.1)	(76.9)	(251.1)	(328.0)
Net assets	(68.7)	315.1	246.4	(73.3)	319.1	245.8

4. Agricultural produce inventory movement

The net gain / (loss) arising from changes in fair value of agricultural produce inventory represents the movement in the carrying value of such inventory after reflecting the movement in the fair value of the fresh fruit bunch input into that inventory (measured at fair value at point of harvest) less the amount of the movement in such inventory at historic cost (which is included in cost of sales).

5. Administrative expenses

	2021	2020
	$'000	$'000
(Profit) / loss on disposal of property, plant and equipment	(123)	537
Indonesian operations	11,307	13,865
Head office	2,575	3,701
	13,759	18,103
Amount included as additions to property, plant and equipment	(325)	(1,617)
	13,434	16,486

6. Impairments and similar charges

	2021	2020
	$'000	$'000
Provision against costs incurred in respect of land to be transferred to plasma cooperatives	-	6,203
Land compensation payments in connection with divested subsidiary	-	663
Write off of expenditure on land	-	2,617
	-	9,483

In 2020 an impairment provision was made against costs incurred in respect of the transfer of land developed by the group to plasma cooperatives; some such costs may be recovered in full, but this is uncertain.

The land compensation payments were in respect of certain outstanding warranty obligations relating to the subsidiary divested in 2018, PT Putra Bongan Jaya.

The write off of expenditure on land represents costs incurred by the group on a land allocation (izin lokasi) that has been relinquished. Having regard to evolving environmental considerations and prospective titling problems arising from conflicting land claims, the group concluded that renewal should not be sought following expiry of the land allocations concerned.

7. Finance costs

	2021	2020
	$'000	$'000
Interest on bank loans and overdrafts	11,338	12,591
Interest on dollar notes	2,028	2,028
Interest on sterling notes	3,687	3,498
Interest on other loans	735	1,095
Interest on lease liabilities	214	301
Change in value of sterling notes arising from exchange fluctuations	(556)	1,869
Change in value of rupiah monetary assets and liabilities arising from exchange fluctuations	(611)	(1,538)
Finance charge related to warrant issue	-	1,133
Other finance charges	3,568	2,380
	20,403	23,357
Amount included as additions to property, plant and equipment	(35)	(259)
	20,368	23,098

Other finance charges include a charge of $1.4 million relating to abortive advisory costs incurred in respect of the reorganisation of the group's Indonesian bank borrowings and in 2020 $1.1 million being the net present value of the premium payable on redemption of the sterling notes discounted at the coupon rate.

Amounts included as additions to PPE arose on borrowings applicable to the Indonesian operations and reflected a capitalisation rate of nil (2020: 1.2 per cent); there is no directly related tax relief.

8. Tax

	2021	2020
	$'000	$'000
Current tax:		
UK corporation tax	-	-
Overseas withholding tax	739	968
Foreign tax	5,326	343
Foreign tax - prior year	2,950	-
Total current tax	9,015	1,311
Deferred tax:		
Current year	11,347	(9,726)
Prior year	(425)	1,183
Total deferred tax	10,922	(8,543)
Total tax	19,937	(7,232)

Taxation is provided at the rates prevailing for the relevant jurisdiction. For Indonesia, the current and deferred taxation provision is based on a tax rate of 22 per cent (2020: 22 per cent) and for the United Kingdom, the taxation provision reflects a corporation tax rate of 19 per cent (2020: 19 per cent) and a deferred tax rate of 25 per cent (2020: 19 per cent).

9. Dividends

	2021	2020
	$'000	$'000
Amounts recognised as distributions to preference shareholders:		
Dividends on 9 per cent cumulative preference shares	9,787	-

The semi-annual dividends on the company's preference shares that fell due on 30 June and 31 December 2021 were duly paid together, in the latter case, with 1p per share of the cumulative arrears of preference dividends, thus reducing the aggregate arrears from 18p per share (£13.0 million - $17.5 million) as at 31 December 2020 to 17p per share (£12.2 million - $16.5 million) as at 31 December 2021. The arrears of dividend are not recognised in these financial statements.

The directors expect the semi-annual dividends on the company's preference shares arising during 2022 and 2023 to be paid as they fall due. In addition, the directors intend that the company should pay not less that 10p of the remaining cumulative arrears of preference dividend on or before 31 December 2022 and the balance of those arrears during 2023. The extent to which an element of the intended payment of arrears during 2022 is made prior to 31 December 2022 will be decided by the directors after determination of the company's final liability for purchase on 30 June 2022 of the company's 7.5 per cent dollar notes 2026.

While the dividends on the preference shares are more than six months in arrear, the company is not permitted to pay dividends on its ordinary shares. Accordingly, no dividend in respect of the ordinary shares has to date been paid in respect of 2021 or is proposed.

10. Loss per share

	2021	2020

	$'000	$'000
Profit / (loss) attributable to equity shareholders	7,326	(13,604)
Preference dividends paid relating to current year	(8,826)	-
Loss for the purpose of calculating loss per share	(1,500)	(13,604)

	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	43,951	43,951

* The loss in 2020 has been restated (see note 19) and as such has increased the loss per share by 1 US cent

11. Property, plant and equipment

	Plantings	Buildings and structures	Plant, equipment and vehicles	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 January 2020	175,329	245,789	122,207	7,659	550,984
Additions	1,250	2,051	2,757	4,702	10,760
Reclassifications and adjustments	-	1,450	1,781	(3,248)	(17)
Disposals	(1,164)	(696)	(2,597)	-	(4,457)
At 31 December 2020	175,415	248,594	124,148	9,113	557,270
Additions	570	935	7,101	10,049	18,655
Reclassifications and adjustments	(55)	2,063	1,366	(3,391)	(17)
Disposals	(643)	(1,184)	(7,161)	(338)	(9,326)
At 31 December 2021	175,287	250,408	125,454	15,433	566,582
Accumulated depreciation:					
At 1 January 2020	46,208	45,015	65,405	-	156,628
Charge for year	10,012	7,297	9,615	-	26,924
Reclassifications and adjustments	-	59	(38)	-	21
Disposals	(206)	(51)	(2,597)	-	(2,854)
At 31 December 2020	56,014	52,320	72,385	-	180,719
Charge for year	10,170	7,501	9,301	-	26,972
Reclassifications and adjustments	1	(2)	(7)	-	(8)
Disposals	(185)	(213)	(6,501)	-	(6,899)
At 31 December 2021	66,000	59,606	75,178	-	200,784
Carrying amount:					
At 31 December 2021	109,287	190,802	50,276	15,433	365,798
At 31 December 2020	119,401	196,274	51,763	9,113	376,551

The depreciation charge for the year includes $35,000 (2020: $56,000) which has been capitalised as part of additions to plantings and buildings and structures.

At the balance sheet date, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $7.3 million (2020: $2.6 million).

At the balance sheet date, property, plant and equipment of $132.4 million (2020: $141.3 million) had been charged as security for bank loans.

12. Land

	2021	2020

	$'000	$'000
Cost:		
Beginning of year	44,201	42,920
Additions	3,754	3,897
Reclassifications and adjustments	7	1
Impairment	-	(2,617)
End of year	47,962	44,201
Accumulated amortisation:		
Beginning and end of year	4,322	4,322
Carrying amount:		
End of year	43,640	39,879
Beginning of year	39,879	38,598

Balances classified as land represent amounts invested in land utilised for the purpose of the plantation operations in Indonesia. There are two types of cost, one relating to the acquisition of HGUs and one relating to izin lokasis.

At 31 December 2021, certificates of HGU had been obtained in respect of areas covering 64,522 hectares (2020: 64,522 hectares). An HGU is effectively a government certification entitling the holder to utilise the land for agricultural and related purposes. Retention of an HGU is subject to payment of annual land taxes in accordance with prevailing tax regulations. HGUs are normally granted for an initial term of 30 years and are renewable on expiry of such term.

The other cost relates to the acquisition of izin lokasi, each of which is an allocation of Indonesian state land granted by the Indonesian local authority responsible for administering the land area to which the allocation relates. Such allocations are preliminary to the process of fully titling an area of land and obtaining an HGU in respect of it. Izin lokasi are normally valid for periods of between one and three years but may be extended if steps have been taken towards obtaining full titles. The costs in question were previously disclosed in non-current receivables but have all been reclassified as they are better viewed as part of the costs of ultimately acquiring HGUs.

13. Financial assets: stone and coal interests

	2021 $'000	2020 $'000
Stone interest	25,622	24,266
Coal interests	32,035	36,282
Provision against loan to coal interests	(2,550)	(3,000)
	55,107	57,548

Interest bearing loans have been made to two Indonesian companies that, directly and through a further Indonesian company, own rights in respect of certain stone and coal concessions in East Kalimantan Indonesia. Pursuant to the arrangements between the group and its local partners, the company's subsidiary, KCC, has the right, subject to satisfaction of local regulatory requirements, to acquire 95 per cent of the concession holding group of companies at original cost with the balance of 5 per cent remaining owned by the local partners. Under current regulations such rights cannot be exercised. In the meantime, the concession holding companies are being financed by loan funding from the group and no dividends or other distributions or payments may be paid or made by the concession holding companies to the local partners without the prior agreement of KCC. A guarantee has been executed by the stone concession company in respect of the amounts owed to the group by the two coal concession companies.

As previously reported, a merits hearing in the arbitration in respect of certain claims made against PT Indo Pancadasa Agrotama ("IPA") by two claimants (connected with each other), with whom IPA previously had conditional agreements relating to the development and operation of the IPA coal concession, took place by way of a virtual hearing at the end of June 2020. The company was joined as a party to the arbitration on a prima facie basis and without prejudice to any final determination of jurisdiction. Further separate, but related, potential claims threatened by the two claimants in respect of, inter alia, alleged tortious conduct by the company's subsidiary, R.E.A. Services Limited ("REAS"), and its managing director were stayed pending a conclusion of the arbitration hearing. None of the claims was considered to have any merit and this was confirmed in December 2020, when the arbitral tribunal dismissed all claims in the arbitration against IPA and the group and awarded costs on an indemnity basis to IPA. Such costs totalling $5.8 million were fully recovered in January 2021. The tribunal's decision also removed the grounds for the separate stayed claims in respect of tortious conduct.

Included within the stone and coal interest balances is cumulative interest receivable of $10.5 million net of a provision of $10.5 million (2020: $9.0 million cumulative interest receivable and $9.0 million provision). This interest has been provided against due to the creditworthiness of the stone and coal interests, two out of three of which are not yet in production, and as such have no operational cashflows from which to settle interest in the next six months. The third company has recently started generating revenue and the directors will reassess these balances during 2022 when the liquidity of the stone and coal interests has improved.

14. Sterling notes

The sterling notes comprise £30.9 million nominal of 8.75 per cent guaranteed 2025 sterling notes (2020: £30.9 million nominal) issued by the company's subsidiary, REA Finance B.V..

The repayment date for the sterling notes was extended during 2020 to 2025. In consideration of noteholders agreement of the extension the company issued a total of 4,010,760 warrants to subscribe, for a period of five years, for ordinary shares in the capital of the company at a price of £1.26 per share to the holders of the sterling notes on the basis of 130 warrants per £1,000 nominal of sterling notes held at the close of business (London time) on 24 March 2020.

The sterling notes are thus now due for repayment on 31 August 2025. A premium of 4p per £1 nominal of sterling notes is payable on redemption of the sterling notes on 31 August 2025 (or earlier in the event of default) or on surrender of the sterling notes in satisfaction, in whole or in part, of the subscription price payable on exercise of the warrants on the final subscription date (namely 15 July 2025). The sterling notes are guaranteed by the company and another wholly owned subsidiary of the company, REAS, and are secured principally on unsecured loans made by REAS to Indonesian plantation operating subsidiaries of the company.

The repayment obligation in respect of the sterling notes of £30.9 million ($41.6 million) is carried on the balance sheet net of the unamortised balance of the note issuance costs plus the amortised premium to date.

15. Dollar notes

The dollar notes comprise $27.0 million nominal of 7.5 per cent dollar notes 2022 (2020: $27.0 million nominal) and are stated net of the unamortised balance of the note issuance costs.

On 3 March 2022 the repayment date for the dollar notes was extended from 30 June 2022 to 30 June 2026. In consideration of the noteholders sanctioning the extension of the redemption date the company paid each noteholder a consent fee equal to 0.25 per cent of the nominal amount of dollar notes held by such holder.

The dollar notes are thus now due for repayment on 30 June 2026.

The company has undertaken to procure that REAS purchases at par, on 30 June 2022, the dollar notes held by any noteholder who has indicated by no later than 31 May 2022 that they do not wish to retain their notes beyond 30 June 2022 and for which the company's brokers have been unable to arrange buyers on terms acceptable to such noteholder. While REAS intends to sell, over time, any dollar notes so acquired by it.

There are currently $27.0 million nominal of dollar notes in issue. The group has received an undertaking from one existing holder of $3.0 million nominal of the notes that it will retain that holding and will be willing to purchase a further $6.0 million nominal of notes. Holders of a further $12.0 million nominal of notes have indicated that they expect to retain their notes. Accordingly, the group does not expect that the funding required to bridge the purchase of notes by REAS will exceed $6.0 million.

16. Share capital

	2021 $'000	2020 $'000
Issued and fully paid (in dollars):		

72,000,000 - 9 per cent cumulative preference shares of £1 each (2020: 72,000,000)	116,516	116,516
43,950,429 - ordinary shares of 25p each (2020: 43,950,429)	18,071	18,071
132,500 - ordinary shares of 25p each held in treasury (2020: 132,500)	(1,001)	(1,001)
	133,586	133,586

The preference shares entitle the holders thereof to payment, out of the profits of the company available for distribution, but subject to the approval of a board resolution to make a distribution out of available profits, of a cumulative preferential dividend of 9 per cent per annum on the nominal amount paid up on such preference shares. The preference shares shall rank for dividend in priority to the payment of any dividend to the holders of any other class of shares. In the event of the company being wound up, holders of the preference shares shall be entitled to the amount paid up on the nominal value of such shares together with any arrears and accruals of the dividend thereon. The preference shares shall rank on a winding up or other return of capital in priority to any other shares of the company for the time being in issue.

Subject to the rights of the holders of preference shares, holders of ordinary shares are entitled to share equally with each other in any dividend paid on the ordinary share capital and, on a winding up of the company, in any surplus assets available for distribution among the members.

Changes in share capital

Issued and fully paid:	9 per cent cumulative preference shares of £1 each	Ordinary shares of 25p each
At 1 January 2020	72,000,000	40,509,529
Issued during the year	-	3,441,000
At 31 December 2020 and 2021	72,000,000	43,950,529

There have been no changes in preference share capital or ordinary shares held in treasury during the current year.

On 31 March 2020, holders of the sterling notes issued by REAF agreed to extend the repayment date of these notes to 31 August 2025. In consideration of such agreement, the company issued a total of 4,010,760 warrants to subscribe, for a period of five years, for ordinary shares in the capital of the company at a price of £1.26 per share to the holders of the sterling notes based on 130 warrants per £1,000 nominal of sterling notes.

The warrants were valued on issue at fair value. The value of the warrants was computed using the Black-Scholes Calculator.

The key inputs to the calculator were:

Strike price per share	£1.26
Stock price per share	£1.00
Time to maturity (years)	5.42 years (31 March 2020 to 31 August 2025)
Risk free rate	0.18 per cent (5 year UK government gilt rate at 31 March 2020)
Annualised volatility	33.2 per cent (using prior 3 month share price movements)

The calculated fair value of £912,000/$1,133,000 was charged in the 2020 consolidated income statement as a finance cost together with a corresponding credit to retained earnings brought forward.

17. Movement in net borrowings

	2021 $'000	2020 $'000
Change in net borrowings resulting from cash flows:		
Increase in cash and cash equivalents, after exchange rate effects	35,087	2,277
Net (increase) / decrease in bank borrowings	(27,045)	13,484
Decrease in borrowings from non-controlling shareholder	900	7,514
Net decrease / (increase) in related party borrowings	4,068	(4,031)

	13,010	19,244
Amortisation of sterling note issue expenses and premium	(181)	(1,545)
Amortisation of dollar note issue expenses	(94)	(87)
Amortisation of bank loan expenses	(1,490)	(175)
Transfer from current assets - unamortised bank loan expenses	-	1,126
	11,245	18,563
Currency translation differences	2,438	(87)
Net borrowings at beginning of year	(189,351)	(207,827)
Net borrowings at end of year	(175,668)	(189,351)

18. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the company and its subsidiaries are dealt with in the company's individual financial statements.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24: Related party disclosures. Further information about the remuneration of, and fees paid in respect of services provided by, individual directors is provided in the audited part of the "Directors' remuneration report" of the annual report.

	2021	2020
	$'000	$'000
Short term benefits	1,299	1,181

Loan from related party

During the year, R.E.A. Trading Limited ("REAT"), a related party, had unsecured loans to the company on commercial terms. REAT is owned by Richard Robinow (a director of the company) and his brother who, with members of their family, also own Emba Holdings Limited, a substantial shareholder in the company. Total loans outstanding at 31 December 2021 were nil (2020: $4.0 million). The maximum amount loaned was $4.1 million (2020: $6.1 million). Total interest paid during the year was $257,000 (2020: $165,000). This disclosure is also made in compliance with the requirements of Listing Rule 9.8.4(10).

19. Restatement

Following questions from the FRC, the group has decided to restate certain comparatives to reflect the following errors in the 2020 consolidated financial statements:

- all items within the deferred tax balance sheet movement totalling $8.6 million were recognised in the consolidated income statement ("CIS") and separately $1.8 million was recognised in the consolidated statement of comprehensive income ("SOCI"). This resulted in a duplication of an item that should have only been recognised in the CIS of $1.8 million and a duplication of an item that should only have been recognised in the SOCI of $0.1 million. The deferred tax balance in the consolidated balance sheet was correctly stated as both of these deferred tax errors were reversed in the SOCI within exchange differences on translation of foreign operations ($1.9 million)
- although the actuarial loss for the year of $0.6 million was correctly booked in retirement benefit obligations in the consolidated balance sheet, it was not recognised correctly in the SOCI; this error was then reversed in the SOCI within exchange differences on translation of foreign operations. In addition, there was an error of $0.2 million in the booking of balances relating to actuarial losses
- exchange differences on translation of foreign operations in the SOCI were incorrectly stated by virtue of the inclusion of the reversals relating to the deferred tax and actuarial loss errors as mentioned above and a further error of $0.4 million; the actual overall exchange difference was correctly recognised in the translation and non-controlling interest reserves in the consolidated balance sheet
- for one subsidiary an amount of new capital subscribed during the year of $1.2 million was incorrectly allocated between controlling and non-controlling interests; the above noted errors also resulted in a misallocation of items in

the SOCI between controlling and non controlling interests; this meant that the split of reserves between equity and non-controlling interests in the consolidated balance sheet was incorrectly stated.

The following table summarises the impact of the restatements on the primary consolidated financial statements.

Consolidated statement of comprehensive income

	2020 as reported $'000	Deferred tax duplication $'000	Actuarial loss adjusted $'000	Exchange correction $'000	2020 restated $'000
Loss for the year	(15,914)	(104)	-	-	(16,018)
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations	(3,504)	1,873	1,983	(353)	(1)
Deferred tax on exchange differences	1,769	(1,769)	-	-	-
	(1,735)	104	1,983	(353)	(1)
Items that will not be reclassified to profit or loss:					
Correction of actuarial losses booked	-	-	(196)	-	(196)
Actuarial gains / (losses)	1,835	-	(2,455)	-	(620)
Deferred tax on actuarial (gains)/losses	(367)	-	472	-	105
	1,468	-	(2,179)	-	(711)
Total comprehensive income	(16,181)	-	(196)	(353)	(16,730)
Total comprehensive income attributable to:					
Equity shareholders	(13,450)	(317)	(114)	(153)	(14,034)
Non-controlling interests	(2,731)	317	(82)	(200)	(2,696)
Total comprehensive income	(16,181)	-	(196)	(353)	(16,730)

Consolidated income statement extract

	2020 restated $'000
Loss for the year as presented	(15,914)
Deferred tax duplication	(104)
Loss for the year restated	(16,018)

Consolidated balance sheet extract

	2020 as reported $'000	Deferred tax duplication $'000	Actuarial loss adjusted $'000	Change in % consolidated $'000	Total $'000
Share capital	133,586	-	-	-	133,586
Share premium account	47,358	-	-	-	47,358
Translation reserve	(25,833)	-	-	-	(25,833)
Retained earnings	70,693	(317)	82	1,222	71,680
Non-controlling interests	20,012	317	(82)	(1,222)	19,025
Total net assets	245,816	-	-	-	245,816

The restatement did not have an impact on the opening consolidated balance sheet and for that reason no third balance sheet at 1 January 2020 has been presented.

20. Events after the reporting period

On 3 March 2022 the repayment date for the dollar notes was extended from 30 June 2022 to 30 June 2026. In consideration of the noteholders sanctioning the extension of the redemption date the company paid each noteholder a consent fee equal to 0.25 per cent of the nominal amount of dollar notes held by such holder.

References to group operating companies in Indonesia are as listed under the map on page 5 of the annual report.

The terms "FFB", "CPO" and "CPKO" mean, respectively, "fresh fruit bunches", "crude palm oil" and "crude palm kernel oil".

References to "dollars" and "$" are to the lawful currency of the United States of America.

References to "rupiah" and "Rp" are to the lawful currency of Indonesia.

References to "sterling", "pounds sterling" and "£" are to the lawful currency of the United Kingdom.

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