R.E.A. Holdings plc (RE.)
R.E.A. Holdings plc: Half yearly results

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

HALF YEARLY REPORT 2021

HIGHLIGHTS

Overview
- Performance turned around and group returned to profit
- Stronger CPO and CPKO prices holding firm
- Direct impacts of Covid remain limited

Financial
- Revenue up 41 per cent to $87.7 million (2020: $62.4 million), benefitting from higher average selling prices, including premia for certified oil, for CPO and CPKO of, respectively, $696 (2020: $551) and $1,029 (2020: $625)
- Cost of sales, excluding FFB purchases, increased 7 per cent to $46.5 million (2020: $43.5 million); cost of FFB purchases increased in line with higher CPO prices and volume
- EBITDA increased 147 per cent to $27.7 million (2020: $11.2 million)
- New Indonesian banking arrangements for the group's principal operating subsidiary successfully concluded, with extended repayment period and reduced interest rate significantly improving group cash flow
- Net indebtedness decreased by $14.0 million to $175.4 million (31 December 2020: $189.4 million)
- Further initiatives to improve financial resilience progressing
- Payment of preference dividends resumed

Agricultural operations
- FFB production increased to 361,167 tonnes (2020: 342,653 tonnes)
- Third party FFB purchases increased to 114,924 tonnes (2020: 98,297 tonnes)
- CPO extraction rates averaged 22.3 per cent (2020: 22.9 per cent)

Stone and coal interests
- MoU signed by stone concession holding company ATP to supply andesite to a neighbouring coal company and negotiations with quarrying contractor progressing
- Coal contractor preparing to resume mining at IPA's concession and deliveries from neighbouring coal company to IPA's port facilities recently commenced
- Group intends to recover coal loans and to withdraw from coal interests as soon as practicable

Sustainability
- Recertification audits successfully completed and licences renewed pending conclusion of outstanding onsite audit work when travel restrictions permit
- Pilot project underway with an international body to establish financing mechanism in support of local smallholders with objective of improved traceability of the FFB supply chain
- Gold certificate awarded by the Ministry of Manpower for the group's Covid prevention and control programme

Outlook
- More favourable trading environment and new banking arrangements in place afford opportunity to strengthen the group's finances
- With CPO and CPKO prices expected to remain at remunerative levels, the group looks forward to a period of prosperity

SUMMARY OF RESULTS
For the six months ended 30 June 2021

	6 months to 30 June 2021	6 months to 30 June 2020
Results	$'000	$'000
Revenue	87,667	62,356
Earnings before interest, tax, depreciation and amortisation*	27,670	11,242
Profit / (loss) before tax	7,648	(7,231)
Loss attributable to ordinary shareholders	(2,366)	(7,881)
Cash generated by operations**	29,187	29,809
Return per ordinary share		
Loss (US cents)	(5.4)	(17.9)

* See note 5
** See note 17

INTERIM MANAGEMENT REPORT

Results

The result for the first half of 2021 was a profit before tax of $7.6 million. This compared with the loss of $7.2 million reported for the first half of 2020 and confirmed a turnaround in the performance of the group.

The results benefitted from higher average selling prices as shown by the following table:

	6 months to 30 June 2021	6 months to 30 June 2020	Year to 31 December 2020
Average selling prices per tonne*:	$	$	$
CPO	696	551	579
CPKO	1,029	625	615

* Including premia for certified oil

With sales volumes also above 2020 levels, revenue of $87.7 million showed a 41 per cent increase compared with the same period in 2020.

Earnings before interest, depreciation, amortisation and tax amounted to $27.7 million (2020: $11.2 million).

Specific components of the results

Cost of sales for the six months to 30 June 2021, with comparative figures for 2020, was made up as follows:

	6 months to 30 June 2021	6 months to 30 June 2020	Year to 31 December 2020
	$'m	$'m	$'m
Purchase of external FFB*	15.7	10.4	23.1
Estate operating costs	31.2	28.4	59.4
Depreciation and amortisation	14.1	14.1	28.0
Stock movement at historic cost	1.2	1.0	(0.3)
	62.2	53.9	110.2

* Purchase of external FFB in 2021 includes purchases of FFB from plantings that are being reallocated from group to plasma

The overall increase of $8.3 million in cost of sales against the corresponding period in 2020 was principally the result of the higher volumes of FFB harvested and processed during the period and an increase in the cost of external FFB purchases. The latter arose from the adjustment of buying prices in line with the increased selling prices of CPO and CPKO and, to a limited extent, the reclassification as external FFB of the FFB harvested from areas that were previously treated as group areas and that have been reclassified as plasma from the start of 2021.

Administrative expenses amounted to $8.4 million against $6.2 million in 2020, the increase reflecting the timing of certain employee expenses which in 2020 were accrued in the second half of the year rather than being accrued evenly over the course of the year as in 2021. For the full year 2021, administrative expenses are expected to be in line with 2020.

Finance costs for the half year amounted, before capitalisation, to $6.2 million against $4.6 million in 2020. The increase was wholly attributable to the reduced contribution from foreign exchange profits which amounted to $3.2 million against $5.7 million.

The tax charge for the period was $4.6 million against $0.8 million in 2020. $1.0 million of the 2021 charge relates to tax paid by one of the Indonesian subsidiaries in respect of a prior year and $2.5 million represents a release of a deferred tax asset as losses of previous years are utilised to offset current year profits.

Dividends

As anticipated in the company's 2020 annual report, the fixed semi-annual dividend on the company's preference shares that fell due on 30 June 2021 was duly paid.

The cumulative arrears of preference dividend currently amount to 18p per share and the directors intend that 1p per share of this should be paid on 31 December 2021 together with the semi-annual preference dividend arising on that date. The directors recognise the importance of eliminating the arrears of the preference dividend and will aim progressively to reduce such arrears as rapidly as the performance of the group permits.

While the dividends on the preference shares are more than six months in arrears, the company is not permitted to pay dividends on its ordinary shares.

Agricultural operations

Key agricultural statistics were as follows:

	6 months to 30 June 2021	6 months to 30 June 2020
FFB harvested (tonnes)*		
Group	361,167	342,653
Third party	114,924	98,297
Total	476,091	440,950
Production (tonnes)		
Total FFB processed	464,045	430,293
FFB sold	8,121	11,773
CPO	103,299	98,651
Palm kernels	21,905	21,443
CPKO	8,310	6,912
Extraction rates (percentage)		
CPO	22.3	22.9
Palm kernel	4.7	5.0
CPKO	38.6	39.8

Rainfall (mm)		
Average across the estates	1,785	1,543

* Group harvested FFB for both periods excludes crops from plantings that are being reallocated from group to plasma

Despite high average rainfall and the Ramadan holiday period falling in the first half of 2021, production in the first half was at good levels, with the typical year end peak crop period of 2020 extending into the early months of the year. Group FFB increased by 5 per cent compared with the previously reported crop for 2020, notwithstanding the exclusion of crops from former group areas that are being reallocated to plasma and which, accordingly, are now treated as third party FFB.

Whilst the group has been fortunate in having suffered only limited disruption as a result of Covid, Covid related travel restrictions within Indonesia have made the recruitment of new harvesters more difficult. As a result, the group's harvesters have been under pressure to complete all necessary harvesting and there has been some slippage in the collection of loose fruit, as a consequence of which extraction rates have been lower than the group would like. Close attention to harvesting standards, backed by a range of measures including realignment of incentives to encourage loose fruit recovery, has produced some improvement but extraction rates remain a key area of focus.

The continuing repair and modification works in the mills generally proceeded satisfactorily during the period under review. Perdana oil mill ("POM") suffered a setback at the end of June when a fire occurred in one of its two boilers. Fortunately, the imminent completion of the Satria oil mill ("SOM") expansion project should mean that the group retains sufficient capacity to process all expected crops while the damaged Perdana boiler remains out of commission. It is expected that the costs of reinstating the damaged boiler will be largely covered by insurance.

In line with its previously stated intentions, the group has recently commenced work on replanting one of the oldest mature areas of some 80 hectares dating from 1994. Bunding and resupplying certain areas prone to flooding is continuing.

Agricultural selling prices

CPO prices remained firm throughout the six months to 30 June 2021, supported by the favourable demand-supply balance for vegetable oils generally and, in particular, for CPO where stocks have been depleted by lower production in Malaysia. Opening the year at $1,050 per tonne, CIF Rotterdam, prices traded in the range $950 to $1,295 per tonne in the six months to 30 June 2021 and currently stand at $1,200 per tonne. The Indonesian government has maintained export duty and levy at relatively high levels, albeit that a recent revision of the scale of export levy has resulted in some reduction in the overall level of export charges.

The average selling price for the group's CPO for the six months to the end of June 2021, including premia for certified oil, net of export duty and levy, was $696 per tonne (2020: $551 per tonne). The average selling price for the group's CPKO, on the same basis, was $1,029 per tonne (2020: $625 per tonne).

If Covid issues abate, prices could start to ease towards the end of the year and into 2022, although reduced fertiliser applications by smaller producers in response to previously weak CPO prices, labour shortages in Malaysia, as well as limited new plantings are likely to support solid price levels.

Stone and coal interests

As previously reported, the stone concession holding company, PT Aragon Tambang Pratama ("ATP"), has signed a memorandum of understanding with a neighbouring coal company for the supply of andesite for a new road planned to be built by that company running in part through the group's estates. Following on from that, ATP has recently agreed an easement to permit evacuation of stone from the concession. With this easement in place, negotiations are being progressed with a potential contractor for quarrying the stone on a basis whereby the contractor would conduct the quarrying operations and fund capital expenditure required to commence operations in exchange for a participation in profits from the concession.

Good progress has been made by PT Indo Pancadasa Agrotama ("IPA") in preparing for resumed mining of its coal concession. Land compensation with affected local individuals has been settled and IPA has concluded an agreement with a coal company that holds a concession adjacent to IPA to evacuate IPA coal utilising a road running through the adjacent concession. This will avoid the costs and delays that would be entailed were IPA to build its own evacuation road. A work plan has been agreed with IPA's appointed contractor (with whom a funding and profit sharing agreement is already in place) and overburden removal is expected to start shortly with coal recovery beginning in the final quarter of 2021.

IPA is also seeking to generate revenue from its port on the Mahakam river by encouraging neighbouring coal companies to utilise the port facilities in exchange for a fee per tonne of coal shipped. One such arrangement has already been agreed and deliveries have now commenced. Two other such arrangements are under discussion.

Sustainability

Certification and recertification audits for the ISCC, RSPO, and ISPO schemes in 2021 have been affected to some degree by ongoing travel restrictions due to the Covid pandemic. Completed audits were conducted remotely while some onsite field audits are still to be carried out later in 2021 (such as for the RSPO Principles and Criteria ("P&C") certification). All licences have been renewed or extended, pending onsite audits where applicable.

Certificates for each of the group's three mills and the bulking station were renewed and remain valid until March 2022.

The RSPO recertification audit for POM and its supply base as well as the annual surveillance audit for Cakra oil mill ("COM") and its supply base (in accordance with P&C certification) were conducted partly remotely, resulting in the PalmTrace licences for POM and COM being temporarily extended until later in 2021 pending completion of the onsite audit work. The recertification audit (in accordance with SCCS certification) for the kernel crushing plant ("KCP") at COM was completed remotely and the certificate has been renewed until July 2026 subject to annual surveillance audits commencing in May 2022. The PalmTrace licence for the Cakra KCP has been renewed until July 2022.

The group is continuing to work with RSPO to resolve compensation liabilities and remedial action in relation to minor historic errors in the application of RSPO criteria affecting two small areas of SYB, 959 hectares at CDM, land clearing at two plasma cooperatives and the establishment of riparian reserves along rivers in Berkat and Damai. Once the SYB position is resolved, SOM can be audited to secure recertification and Tepian Estate will be able to be reinstated within the POM certificated supply base. Compensation liabilities agreed will be payable over several years and should not exceed $50,000 per annum.

The annual renewal under ISO 14001, the international standard for effective environmental systems, for the REA Kaltim and SYB estates and mills and the bulking station was successfully completed in the first quarter of 2021.

The group is in discussion with an international funding body to establish a financing mechanism that would enable smallholder farmers to access funds for intensifying their oil palm yields and developing alternative revenue streams. The objective is to reduce pressure on the remaining forest areas outside the group's concession areas as well as to improve the traceability of the FFB supply chain. A pilot project is being set up to demonstrate the effectiveness of this approach and 150 local smallholders in two local villages have currently received training in best management practices for oil palm to help improve yields and FFB quality. It is intended that this training will be rolled out to other local villages.

Plans to develop a network of trained community groups to promote fire prevention and upgrade firefighting capabilities in eight local villages have been hindered by the ongoing Covid restrictions, but it remains the intention to expand this project to include additional villages in 2022.

During 2021 further links have been established with waste and recycling schemes in local communities to improve the efficiency and increase the capacity of recycling centres. Under a programme sponsored by the regional Environment and Forestry Service, waste and recycling centres have already been established in the housing areas for each of the group's estates and mills whereby households receive financial compensation based on the volume of waste deposited and the group benefits from the reduction in waste collected for landfill.

The conservation department has continued to supply seedlings of endemic forest fruit and timber tree species to local communities and for restoration projects with 462 seedlings having been supplied since January 2021. The conservation department maintains a nursery with over 4,000 seedlings of local forest fruit and timber trees for restoration at various sites, including the regeneration of conservation reserves, and for the benefit of local communities and the group's employees.

The biodiversity team's programme of mapping the locations of all species within the group's conservation reserves has identified 192 species (mostly birds) so far in 2021 including 43 species of Critically Endangered, Endangered and Vulnerable species in a variety of habitats across the group's concession areas. Although workshops and programmes have been disrupted by the Covid pandemic, the conservation department has continued to promote conservation and environmental awareness amongst local communities as well as working with estate employees throughout the period. The conservation department has also regularly participated in joint patrols with government forestry department enforcement officers to monitor and record instances of illegal forest clearing and logging activities in areas surrounding the group's concession areas.

Financing

At 30 June 2021, the group continued to be financed by a combination of debt and equity (comprising ordinary and preference share capital). Total equity including non-controlling interests amounted to $244.9 million (31 December 2020: $245.8 million).

Group indebtedness at 30 June 2021 totalled $204.2 million against $201.2 million at 31 December 2020. Against this indebtedness, the group held cash and cash equivalents of $28.8 million (31 December 2020: $11.8 million). As a result, the group net indebtedness at 30 June 2021 of $175.4 million showed a decrease of some $14.0 million from the group net indebtedness at 31 December 2020 of $189.4 million.

The composition of the net indebtedness at 30 June 2021 was as follows:

	$'m
7.5 per cent dollar notes 2022 ("dollar notes") ($27.0 million nominal)	26.9
8.75 per cent guaranteed sterling notes 2025 ("sterling notes") (£30.9 million nominal)	43.4
Loan from related party	4.1
Loans from non-controlling shareholder	17.1
Indonesian term bank loans	110.6
Drawings under working capital lines	2.1
	204.2
Cash and cash equivalents	(28.8)
Net indebtedness	175.4

On 30 June 2021, REA Kaltim repaid its outstanding bank loan and working capital facility totalling $64.7 million and drew down two new loans and a new working capital facility totalling $82.8 million (all denominated in Indonesian rupiah). The original loan had been repayable over the next 5 years with an interest rate of 10.5 per cent; the new loan is repayable over 8 years and has an interest rate of 9.5 per cent. The same reduction in interest rates applies to the working capital facility though this has been reduced from $4.9 million to $2.1 million. It is now expected that one outstanding technical requirement relating to the new REA Kaltim loans, namely the registration of a charge over one title deed (which was delayed by queries from the relevant local land office), will be completed shortly.

Earnings before interest, tax, depreciation and amortisation for the six months to 30 June 2021 amounted to $27.7 million which covered interest payments of $9.3 million, the preference dividend of $4.5 million, capital expenditure of $3.7 million and taxes of $4.0 million. Other material items affecting cash flow were movements in bank indebtedness reflecting routine periodic repayments and the changes to REA Kaltim's bank borrowings described above, the recovery of $5.8 million costs in respect of the coal arbitration and the rolling forward of pre-sale advances from customers keen to secure future supplies of CPO and CPKO. With the improvement in the group's finances, credit from suppliers has been reduced to normal levels.

The group is continuing to work towards improving the resilience of the group's finances. Completion of the reorganisation of REA Kaltim's bank borrowings represented a significant step forward and the group is optimistic that over the coming months it will complete a similar reorganisation of SYB's bank borrowings in which the existing SYB bank loan is replaced with new bank loans of longer tenor and providing additional overall funding. The group is also close to completing agreements with its key customers on the continuance of pre-sale advances from the customers concerned in exchange for extended forward commitments of agreed volumes of CPO and CPKO but on the basis that pricing is fixed at the time of delivery by reference to prices then prevailing.

Concurrently with discussions with Mandiri, the group continues to explore alternative financing options to ensure its ability to redeem the $27.0 million nominal of dollar notes falling due for repayment in 2022 and to enable it progressively to reduce the arrears of preference dividend.

Outlook

The group's return to profit in the first six months of 2021 is encouraging and if, as is normal, crops are weighted to the second half of the year and current CPO and CPKO prices are maintained for the rest of the year, the group can expect that revenues for the second half of 2021 will exceed those of the first half.

Current coal prices offer the prospect of a significant near term recovery of the group's coal related loans to IPA and, if quarrying of the stone concession owned by ATP can be successfully initiated, this will further augment the group's cash flow.

The above favourable combination of circumstances provides an opportunity to place the group's finances on a firmer footing and, if, as the group expects, CPO and CPKO prices remain at remunerative levels, the group can look forward to a period of prosperity.

Approved by the board on 7 September 2021 and signed on its behalf by

DAVID J BLACKETT
Chairman

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties, as well as mitigating and other relevant considerations, affecting the business activities of the group as at the date of publication of the 2020 annual report (the "annual report") were set out on pages 37 to 43 of that report, under the heading "Principal risks and uncertainties". A copy of the report may be downloaded from the company's website at www.rea.co.uk. Such principal risks and uncertainties in summary comprise:

Agricultural operations	
Climatic factors	Material variations from the norm
Cultivation	Impact of pests and diseases
Other operational factors	Logistical disruptions to the production cycle, including transportation and input shortages or cost increases
Produce prices	Consequences of lower realisations from sales of CPO and CPKO
Expansion	Delays in securing land or funding for extension planting
Climate change	Reduced production due to change in levels and regularity of rainfall and sunlight hours
Environmental, social and governance practices	Failure to meet expected standards
Community relations	Disruptions arising from issues with local stakeholders
Stone and coal interests	
Operational factors	Failure by external contractors to achieve agreed targets
Prices	Consequences of lower prices and variations in quality of deposits
Environmental, social and governance practices	Failure to meet expected standards
General	
Currency	Adverse exchange movements between sterling or rupiah against the dollar
Funding	Meeting liabilities as they fall due in periods of weaker produce prices
Counterparty	Default by suppliers, customers or financial institutions
Regulatory and country exposure	Failure to meet or comply with expected standards or applicable regulations; adverse political, economic, or legislative changes in Indonesia
Miscellaneous relationships	Disruption of operations and consequent loss of revenues as a result of disputes with local stakeholders

The risks relating to "Agricultural operations - Expansion" and "Stone and coal interests" are prospective rather than immediate material risks because the group is currently not expanding its agricultural operations and the stone and coal concessions in which the group holds interests are not currently being mined. However, such risks will apply when, as is contemplated, expansion and mining are resumed or commenced. The effect of an adverse incident relating to the stone and coal interests could impact the ability of the stone and coal companies to repay their loans. As noted in the group's 2020 annual report, it is ultimately the group's intention to withdraw from its coal interests.

In addition to the foregoing risks, 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, the Covid pandemic 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. Adapted working practices and hygiene measures in accordance with regulations and guidelines remain in place throughout the group and on-site testing is conducted regularly. The group has been awarded a gold certificate by the Ministry of Manpower for its Covid prevention and control programme.

In the first 8 months of 2021 there were some 500 confirmed cases of Covid amongst employees and their family members, the vast majority being asymptomatic or experiencing mild symptoms and recovered or recovering. Regrettably, one employee has died as a result of Covid and two employees have been hospitalised. A further employee is suffering from long Covid.

The group has secured private vaccinations for a proportion of employees who are not eligible for the government vaccination programme and has submitted application for further vaccines with a view to offering vaccinations to all employees who are not eligible.

CPO prices have recovered strongly from the weak levels seen in 2020 in response to the onset of the Covid pandemic and consequential disruption to the global economy reflecting the favourable demand-supply balance for vegetable oils as economies recover. Nevertheless, operational disruption and global economic factors associated with Covid will continue to represent a risk that the directors seek to address and mitigate by, wherever possible, minimising costs without compromising the operations or the group's financial position.

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 greenhouse gas ("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 recently introduced SECR framework, the group is preparing to incorporate disclosures in accordance with the TCFD recommendations in its 2021 annual report.

The directors keep under review potential impacts on its operations from the termination of UK membership of the European Union ("Brexit"). This could result in a movement in sterling against the dollar and rupiah with consequential impact on the group dollar translation of its sterling costs and sterling liabilities, although the directors do not believe that such impact (which could be positive or negative) would be material in the overall context of the group. Beyond this, and considering that the group's entire operations are in Indonesia, as previously stated the directors do not see Brexit as posing a significant risk to the group.

At the date of the annual report, in addition to the Covid pandemic, risks assessed by the directors as being of particular significance were those as detailed under Agricultural operations (Produce prices, Climatic factors and Other operational factors) and General (Funding).

The directors' assessment, as respects produce prices and funding, reflects the key importance of those risks in relation to the matters considered in the "Viability statement" in the "Directors' report" on pages 45 to 47 of the annual report and under "Financing" above and, as respects climatic and other factors, the extent of the negative impact that could result from adverse incidence of such risks.

The directors consider that the principal risks and uncertainties for the second six months of 2021 continue to be those set out in the annual report and as summarised above.

GOING CONCERN

In the statements regarding viability and going concern on pages 45 to 47 of the 2020 annual report, the directors set out considerations with respect to the group's capital structure and their assessment of liquidity and financing adequacy.

Since publication of the 2020 annual report, the group has continued to benefit from firm CPO prices supported by the favourable demand-supply balance for vegetable oils. Meanwhile, the impact of Covid on the operations has been restricted to some periodic shortages of harvesters and contractors due to travel hesitancy as well as delays in deliveries of spare parts.

Discussions with the group's Indonesian bankers, PT Bank Mandiri (Persero) Tbk ("Mandiri"), were successfully concluded in June 2021 with completion of an agreement that the Indonesian rupiah denominated loan and working capital facility previously provided by Mandiri to REA Kaltim be replaced with two new loans and a new working capital facility, denominated in Indonesian rupiah. The new facilities significantly improve the group's cash flow being repayable over 8 rather than 5 years at an interest rate of 9.5 per cent reduced from 10.5 per cent.

The group's net indebtedness reduced by $14.0 million over the six months to 30 June 2021. During the same period, the group reduced to normal levels the extended credit from suppliers that had built up during 2019 and 2020.

Proposals for the replacement of the existing Mandiri term loan to SYB continue to advance through the bank's approval process. The group is also close to completing agreements with its key customers on the continuance of pre-sale advances from the customers. At the same time, the group continues to explore alternative financing options should these be needed.

Provided that CPO prices remain at current firm levels, the group's operating and financial performance is expected to improve further. Accordingly, and based on the foregoing, the directors have a reasonable expectation that the company will be able to continue its operations and meet its liabilities as they fall due over the period of twelve months from the date of approval of the accompanying condensed consolidated financial statements and they continue to adopt the going concern basis of accounting in preparing these statements.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of this half yearly report.

The directors confirm that to the best of their knowledge:

- the accompanying set of condensed consolidated financial statements has been prepared in accordance with UK adopted IAS 34 "Interim Financial Reporting";
- the "Interim management report" and "Principal risks and uncertainties" sections of this half yearly report include a fair review of the information required by rule 4.2.7R of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- note 19 in the notes to the condensed consolidated financial statements includes a fair review of the information required by rule 4.2.8R of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period, and any changes in the related party transactions described in the 2020 annual report that could do so.

The current directors of the company are as listed on page 44 of the company's 2020 annual report.

Approved by the board on 7 September 2021

DAVID J BLACKETT
Chairman

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2021

	Note	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Revenue	2	87,667	62,356	139,088
Net loss arising from changes in fair value of agricultural produce inventory	4	(3,279)	(4,701)	(777)
Cost of sales:				
Depreciation and amortisation		(14,092)	(14,097)	(27,969)
Other costs		(48,092)	(39,825)	(82,215)
Gross profit		22,204	3,733	28,127
Distribution costs		(249)	(421)	(2,835)
Administrative expenses	5	(8,377)	(6,167)	(16,486)

Operating profit / (loss)		13,578	(2,855)	8,806
Investment revenues	2	270	143	525
Impairments and similar charges		-	-	(9,483)
Finance costs	6	(6,200)	(4,519)	(23,098)
Profit / (loss) before tax		7,648	(7,231)	(23,250)
Tax	7	(4,585)	(808)	7,336
Profit / (loss) for the period		3,063	(8,039)	(15,914)
Attributable to:				
Equity shareholders		(2,366)	(7,881)	(13,183)
Preference shareholders	8	4,502	-	-
Non-controlling interests		927	(158)	(2,731)
		3,063	(8,039)	(15,914)
Loss per 25p ordinary share (US cents)	9	(5.4)	(17.9)	(30.0)

All operations in all periods are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Note	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Profit / (loss) for the period		3,063	(8,039)	(15,914)
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Exchange differences on translation of foreign operations		1,673	-	(3,504)
Deferred tax on exchange differences		(630)	1,148	1,769
		1,043	1,148	(1,735)
Items that will not be reclassified to profit or loss:				
Actuarial gains / (losses)		5	268	1,835
Deferred tax on actuarial gains / (losses)		(1)	(67)	(367)
		4	201	1,468
Total comprehensive income for the period		4,110	(6,690)	(16,181)
Attributable to:				
Equity shareholders		(1,319)	(6,532)	(13,450)
Preference shareholders	8	4,502	-	-
Non-controlling interests		927	(158)	(2,731)
		4,110	(6,690)	(16,181)

CONSOLIDATED BALANCE SHEET
As at 30 June 2021

	30 June 2021	30 June 2020	31 December 2020

	Note	$'000	$'000	$'000
Non-current assets				
Goodwill		12,578	12,578	12,578
Intangible assets	10	575	1,613	1,098
Property, plant and equipment	11	366,545	384,922	376,551
Land	12	39,942	40,348	39,879
Financial assets: stone and coal interests	14	53,109	53,930	57,548
Deferred tax assets		6,762	13,001	8,931
Non-current receivables		5,302	3,889	5,302
Total non-current assets		484,813	510,281	501,887
Current assets				
Inventories		15,085	12,947	16,069
Biological assets		2,373	1,514	2,953
Trade and other receivables		35,232	50,242	41,059
Cash and cash equivalents		28,795	6,337	11,805
Total current assets		81,485	71,040	71,886
Total assets		566,298	581,321	573,773
Current liabilities				
Trade and other payables		(45,930)	(46,510)	(51,644)
Current tax liabilities		(1,564)	(960)	-
Bank loans	16	(16,214)	(21,007)	(54,148)
Dollar notes		(26,937)	-	-
Other loans and payables		(7,293)	(7,541)	(7,321)
Total current liabilities		(97,938)	(76,018)	(113,113)
Non-current liabilities				
Trade and other payables		(14,436)	-	(20,712)
Bank loans	16	(96,463)	(94,530)	(56,062)
Sterling notes		(43,444)	(37,130)	(42,908)
Dollar notes		-	(26,851)	(26,891)
Deferred tax liabilities		(39,774)	(51,580)	(39,581)
Other loans and payables		(29,358)	(49,480)	(28,690)
Total non-current liabilities		(223,475)	(259,571)	(214,844)
Total liabilities		(321,413)	(335,589)	(327,957)
Net assets		244,885	245,732	245,816
Equity				
Share capital		133,586	133,586	133,586
Share premium account		47,358	47,358	47,358
Translation reserve		(24,790)	(24,519)	(25,833)
Retained earnings		68,331	76,831	70,693
		224,485	233,256	225,804
Non-controlling interests		20,400	12,476	20,012
Total equity		244,885	245,732	245,816

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021

	Share capital $'000	Share premium $'000	Translation reserve $'000	Retained earnings $'000	Subtotal $'000	Non-controlling interests $'000	Total equity $'000

At 1 January 2020	133,586	47,358	(26,032)	84,779	239,691	12,999	252,690
Loss for the period	-	-	-	(7,881)	(7,881)	(158)	(8,039)
Other comprehensive income for the period	-	-	1,513	(67)	1,446	(365)	1,081
At 30 June 2020	133,586	47,358	(24,519)	76,831	233,256	12,476	245,732
Loss for the period	-	-	-	(5,302)	(5,302)	(2,573)	(7,875)
Other comprehensive income for the period	-	-	(1,314)	(1,969)	(3,283)	165	(3,118)
Reserve adjustment relating to warrant issue	-	-	-	1,133	1,133	-	1,133
New equity from non-controlling shareholder	-	-	-	-	-	9,944	9,944
At 31 December 2020	133,586	47,358	(25,833)	70,693	225,804	20,012	245,816
Profit for the period	-	-	-	2,136	2,136	927	3,063
Dividends to preference shareholders	-	-	-	(4,502)	(4,502)	-	(4,502)
Other comprehensive income for the period	-	-	1,043	4	1,047	(539)	508
At 30 June 2021	133,586	47,358	(24,790)	68,331	224,485	20,400	244,885

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2021

	Note	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Net cash from operating activities	17	15,889	14,433	33,479
Investing activities				
Interest received		270	143	525
Proceeds on disposal of property, plant and equipment		-	3	1,066
Purchases of property, plant and equipment		(3,618)	(4,179)	(10,768)
Expenditure on land		(63)	(1,750)	(3,897)
Repayment from / (investment in) stone and coal interests		4,439	(3,600)	(7,218)
Net cash generated by / (used in) investing activities		1,028	(9,383)	(20,292)
Financing activities				
Preference dividends paid		(4,502)	-	-
Repayment of bank borrowings		(76,828)	(6,867)	(18,734)
New bank borrowings drawn		82,781	-	5,250
New borrowings from related party		-	1,816	4,031
Repayment of borrowings from non-controlling shareholder		-	-	(7,514)
New equity from non-controlling interests		-	-	9,944
Costs of extending repayment date of sterling notes		-	(425)	(459)
Payment of warranty obligations relating to divested subsidiary		-	-	(663)
Repayment of lease liabilities		(1,100)	(1,147)	(2,434)
Net cash from / (used in) financing activities		351	(6,623)	(10,579)
Cash and cash equivalents				
Net increase / (decrease) in cash and cash equivalents		17,268	(1,573)	2,608
Cash and cash equivalents at beginning of period		11,805	9,528	9,528
Effect of exchange rate changes		(278)	(1,618)	(331)
Cash and cash equivalents at end of period		28,795	6,337	11,805

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of accounting

The condensed consolidated financial statements for the six months ended 30 June 2021 comprise the unaudited financial statements for the six months ended 30 June 2021 and 30 June 2020, neither of which has been reviewed by the company's auditor, together with audited financial information for the year ended 31 December 2020.

The information shown for the year ended 31 December 2020 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, and is an abridged version of the group's published financial statements for that year which have been filed with the Registrar of Companies. The auditor's report on those statements was unqualified and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

The annual financial statements of the group will be prepared in accordance with the United Kingdom adopted International Financial Reporting Standards ("IFRS"). The condensed consolidated financial statements included in this half yearly report have been prepared in accordance with United Kingdom adopted International Accounting Standard 34 "Interim Financial Reporting".

Going concern

The directors are satisfied that the group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Adoption of new and revised standards

New standards and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period beginning on 1 January 2021 have no impact on the disclosures or on the amounts reported in these condensed consolidated financial statements.

Accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those set out in the group's annual report for 2020.

The condensed consolidated financial statements for the six months ended 30 June 2021 were approved by the board of directors on 7 September 2021.

2. Revenue

	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Sales of goods	87,021	61,795	137,993
Revenue from services	646	561	1,095
	87,667	62,356	139,088
Investment revenue	270	143	525

Investment revenue includes $1.3 million interest receivable from the group's stone and coal interests (see note 14) net of a provision of $1.2 million (31 December 2020: interest receivable of $2.7 million, provision $2.5 million, 30 June 2020: interest receivable of $1.3 million, provision $1.2 million).

3. Segment information

The group continues to operate in two segments: the cultivation of oil palms and stone and coal interests. In the period ended 30 June 2021 the latter did not meet the quantitative thresholds set out in IFRS 8 "Operating segments" and, accordingly, no analyses are provided by business segment.

4. Agricultural produce movement

The net 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

	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
(Profit) / loss on disposal of property, plant and equipment	-	(3)	537
Indonesian operations	7,232	5,203	13,865
Head office	1,826	1,957	3,701
	9,058	7,157	18,103
Amount included as additions to property, plant and equipment	(681)	(990)	(1,617)
	8,377	6,167	16,486

	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Earnings before interest, tax, depreciation and amortisation:			
Operating profit / (loss)	13,578	(2,855)	8,806
Depreciation and amortisation	14,092	14,097	27,969
	27,670	11,242	36,775

6. Finance costs

	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Interest on bank loans and overdrafts	5,563	6,488	12,591
Interest on dollar notes	1,014	1,014	2,028
Interest on sterling notes	1,865	1,656	3,498
Interest on other loans	563	644	1,095
Interest on lease liabilities	134	171	301
Change in value of sterling notes arising from exchange fluctuations	544	(2,696)	1,869
Change in value of loans arising from exchange fluctuations	(3,752)	(2,967)	(1,538)
Finance charge related to warrant issue	-	-	1,133
Other finance charges	288	310	2,380
	6,219	4,620	23,357
Amount included as additions to property, plant and equipment	(19)	(101)	(259)
	6,200	4,519	23,098

Other finance charges include $50,000 (31 December 2020: $1.1 million, 30 June 2020: $nil) being the amount for the period of the present value of the premium payable on redemption of the sterling notes discounted at the coupon rate.

7. Tax

6 months to 30 June 2021	6 months to 30 June 2020	Year to 31 December 2020

	$'000	$'000	$'000
Current tax:			
UK corporation tax	-	-	-
Overseas withholding tax	341	370	968
Foreign tax	1,146	75	343
Total current tax	1,487	445	1,311
Deferred tax:			
Current year	3,098	363	(9,830)
Prior year	-	-	1,183
Total deferred tax	3,098	363	(8,647)
Total tax	4,585	808	(7,336)

Taxation is provided at the rates prevailing for the relevant jurisdiction. For Indonesia, current and deferred taxation provisions are based on a tax rate of 20 per cent (31 December 2020: 20 per cent, 30 June 2020: 25 per cent) and for the UK, the taxation provisions reflect a corporation tax rate of 19 per cent (2020: 19 per cent) and a deferred tax rate of 19 per cent (2020: 19 per cent). The corporation tax rate in the UK will increase from 19 per cent to 25 per cent from 1 April 2023. A deferred tax asset relating to UK tax losses is carried at the rate in force during the period in which the tax losses are expected to be utilised.

8. Dividends

	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Amounts recognised as distributions to equity holders:			
Preference dividends of 9p per share per annum	4,502	-	-

As anticipated in the company's 2020 annual report, the fixed semi-annual dividend on the company's preference shares that fell due on 30 June 2021 was duly paid.

The cumulative arrears of preference dividend currently amount to 18p per share and the directors intend that 1p per share of this should be paid on 31 December 2021 together with the semi-annual preference dividend arising on that date. The directors recognise the importance of eliminating the arrears of the preference dividend and will aim progressively to reduce such arrears as rapidly as the performance of the group permits.

While the dividends on the preference shares are more than six months in arrears, the company is not permitted to pay dividends on its ordinary shares.

9. Loss per share

	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Loss for the purpose of calculating loss per share*	(2,366)	(7,881)	(13,183)
	'000	'000	'000
Weighted average number of ordinary shares for the purpose of loss per share	43,951	43,951	43,951

* Being net loss attributable to ordinary shareholders

10. Intangible assets

	30 June 2021 $'000	30 June 2020 $'000	31 December 2020 $'000
Beginning of period	5,438	5,430	5,430
Additions	-	-	8
End of period	5,438	5,430	5,438
Amortisation:			
Beginning of period	4,340	3,295	3,295
Additions	523	522	1,045
End of period	4,863	3,817	4,340
Carrying amount:			
End of period	575	1,613	1,098
Beginning of period	1,098	2,135	2,135

Development expenditure on computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset.

11. Property, plant and equipment

	Plantings $'000	Buildings and structures $'000	Plant, equipment and vehicles $'000	Construction in progress $'000	Total $'000
Cost:					
At 1 January 2020	175,329	245,789	122,207	7,659	550,984
Additions	505	1,349	371	1,954	4,179
Reclassifications and adjustments	(1)	240	374	(906)	(293)
Disposals - property, plant and equipment	-	-	(506)	-	(506)
At 30 June 2020	175,833	247,378	122,446	8,707	554,364
Additions	745	702	2,386	2,748	6,581
Reclassifications and adjustments	1	1,210	1,407	(2,342)	276
Disposals - property, plant and equipment	(1,164)	(696)	(2,091)	-	(3,951)
At 31 December 2020	175,415	248,594	124,148	9,113	557,270
Additions	427	718	151	2,322	3,618
Reclassifications and adjustments	(19)	1,585	414	(1,941)	39
Disposals - property, plant and equipment	(55)	-	(311)	-	(366)
At 30 June 2021	175,768	250,897	124,402	9,494	560,561
Accumulated depreciation:					
At 1 January 2020	46,208	45,015	65,405	-	156,628
Charge for period	5,083	3,636	4,856	-	13,575
Reclassifications and adjustments	(1)	(216)	(38)	-	(255)
Disposals - property, plant and equipment	-	-	(506)	-	(506)
At 30 June 2020	51,290	48,435	69,717	-	169,442
Charge for period	4,929	3,661	4,759	-	13,349
Reclassifications and adjustments	1	275	-	-	276
Disposals - property, plant and equipment	(206)	(51)	(2,091)	-	(2,348)
At 31 December 2020	56,014	52,320	72,385	-	180,719
Charge for period	5,085	3,817	4,667	-	13,569
Reclassifications and adjustments	-	39	-	-	39
Disposals - property, plant and equipment	-	-	(311)	-	(311)
At 30 June 2021	61,099	56,176	76,741	-	194,016

Carrying amount:

At 30 June 2021	114,669	194,721	47,661	9,494	366,545
At 31 December 2020	119,401	196,274	51,763	9,113	376,551
At 30 June 2020	124,543	198,943	52,729	8,707	384,922

12. Land

	30 June 2021 $'000	30 June 2020 $'000	31 December 2020 $'000
Cost:			
Beginning of period	44,201	42,920	42,920
Additions	63	1,750	3,897
Reclassifications and adjustments	-	-	1
Impairment	-	-	(2,617)
End of period	44,264	44,670	44,201
Accumulated amortisation:			
Beginning and end of period	4,322	4,322	4,322
Carrying amount:			
End of period	39,942	40,348	39,879
Beginning of period	39,879	38,598	38,598

13. Contractual commitments

At the balance sheet date the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $4.0 million (31 December 2020: $2.6 million, 30 June 2020: $1.7 million).

14. Financial assets: stone and coal interests

	30 June 2021 $'000	30 June 2020 $'000	31 December 2020 $'000
Stone interest	24,266	23,444	24,266
Coal interests	31,843	33,486	36,282
Provision against loan to coal interests	(3,000)	(3,000)	(3,000)
	53,109	53,930	57,548

Interest bearing loans have been made to three Indonesian companies that 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 Resources Limited ("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 operations 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 group'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 at 30 June 2021 is cumulative interest receivable of $10.1 million net of a provision of $10.1 million (31 December 2020: $9.0 million cumulative interest receivable and provision, 30 June 2020: $6.5 million cumulative interest and provision). This interest has been provided against due to the creditworthiness of the stone and coal interests, which are not yet in production, and as such have no operational cashflows from which to settle interest. The directors will reassess these balances once production has begun and the liquidity of the stone and coal interests has improved.

15. Fair values of financial instruments

The table below provides an analysis of the book values and fair values of financial instruments, excluding receivables and trade payables and Indonesian stone and coal interests, as at the balance sheet dates. Cash and deposits, dollar notes and sterling notes are classified as level 1 in the fair value hierarchy prescribed by IFRS 13 "Fair value measurement" (level 1 includes instruments where inputs to the fair value measurements are quoted prices in active markets). All other financial instruments are classified as level 3 in the fair value hierarchy (level 3 includes instruments which have no observable market data to provide inputs to the fair value measurements). No reclassifications between levels in the fair value hierarchy were made during 2021 (2020: none).

	30 June 2021		30 June 2020		31 December 2020	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and deposits*	28,795	28,795	6,337	6,337	11,805	11,805
Bank debt within one year**	(16,214)	(16,214)	(21,007)	(21,007)	(54,148)	(54,148)
Bank debt after more than one year**	(96,463)	(96,463)	(94,530)	(94,530)	(56,062)	(56,062)
Loan from non-controlling shareholder after more than one year**	(6,025)	(6,025)	(13,539)	(13,539)	(6,025)	(6,025)
Loan from non-controlling shareholder after more than one year*	(11,091)	(11,091)	(11,091)	(11,091)	(11,091)	(11,091)
Loan from related party within one year - sterling**	(2,694)	(2,694)	-	-	(2,661)	(2,661)
Loan from related party within one year - dollar*	(1,370)	(1,370)	(1,847)	(1,847)	(1,370)	(1,370)
Dollar notes - repayable 2022**	(26,937)	(26,224)	(26,851)	(25,143)	(26,891)	(25,683)
Sterling notes after one year - repayable 2025**	(43,444)	(42,637)	(37,130)	(34,064)	(42,908)	(37,896)
Net debt	(175,443)	(173,923)	(199,658)	(194,884)	(189,351)	(183,131)

* Bearing interest at floating rates
** Bearing interest at fixed rates

The fair values of cash and deposits, loans from non-controlling shareholder, loans from related party and bank debt approximate their carrying values since these carry interest at current market rates. The fair values of the dollar notes and sterling notes are based on the latest prices at which those notes were traded prior to the balance sheet dates.

16. Bank loans

	30 June 2021	30 June 2020	31 December 2020
	$'000	$'000	$'000
Bank loans	112,677	115,537	110,210
The bank loans are repayable as follows:			
On demand or within one year	16,214	21,007	54,148
Between one and two years	17,100	19,240	9,823
After two years	79,363	75,290	46,239
	112,677	115,537	110,210
Amount due for settlement within 12 months	16,214	21,007	54,148
Amount due for settlement after 12 months	96,463	94,530	56,062

	112,677	115,537	110,210

Within "Amount due for settlement within 12 months" as at 31 December 2020 are bank loans totalling $30.5 million from the group's Indonesian bankers Mandiri to SYB and KMS that would have been classified as non-current liabilities were it not for certain breaches by those companies of loan covenants applicable at the balance sheet date. Mandiri subsequently waived the breaches in question. Such loans would have been classified as non-current liabilities had the waivers been received before the balance sheet date.

All bank loans are denominated in Indonesian rupiah and are net of unamortised expenses. The weighted average interest rate in 2021 was 10.0 per cent (2020: 10.8 per cent).

Under the terms of its bank facilities, certain plantation subsidiaries are restricted to an extent in the payment of interest on borrowings from, and on the payment of dividends to, other group companies. The directors do not believe that the applicable covenants will affect the ability of the company to meet its cash obligations.

At the balance sheet date, the group had undrawn Indonesian rupiah denominated facilities of $nil (2020: $nil).

17. Reconciliation of operating profit to operating cash flows

	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Operating profit / (loss)	13,578	(2,855)	8,806
Amortisation of intangible assets	523	522	1,045
Depreciation of property, plant and equipment	13,569	13,575	26,924
Decrease in fair value of agricultural produce inventory	3,279	4,701	588
Decrease / (increase) in value of growing produce	580	1,250	(229)
(Profit) / loss on disposal of property, plant and equipment	-	(3)	537
Operating cash flows before movements in working capital	31,529	17,190	37,671
(Increase) / decrease in inventories (excluding fair value movements)	(2,475)	687	1,789
Decrease / (increase) in receivables	5,626	53	(3,438)
(Decrease) / increase in payables	(6,016)	9,962	18,285
Exchange translation differences	523	1,917	(728)
Cash generated by operations	29,187	29,809	53,579
Taxes paid	(4,026)	(5,534)	(882)
Interest paid*	(9,272)	(9,842)	(19,218)
Net cash from operating activities	15,889	14,433	33,479

* Of which $134,000 is in respect of lease liabilities (31 December 2020: $301,000, 30 June 2020: $171,000)

18. Movements in net borrowings

	6 months to 30 June 2021 $'000	6 months to 30 June 2020 $'000	Year to 31 December 2020 $'000
Change in net borrowings resulting from cash flows:			
Increase / (decrease) in cash and cash equivalents, after exchange rate effects	16,990	(3,191)	2,277
Net (increase) / decrease in bank borrowings	(5,953)	11,388	13,484
Decrease in borrowings from non-controlling shareholder	-	-	7,514
Net increase in related party borrowings	-	(1,816)	(4,031)
	11,037	6,381	19,244
Amortisation of sterling note issue expenses and premium	(91)	(159)	(1,545)
Amortisation of dollar note issue expenses	(46)	(47)	(87)

Amortisation of bank loan expenses	(98)	-	(175)
Transfer from current assets - unamortised bank loan expenses	953	-	1,126
	11,755	6,175	18,563
Currency translation differences	2,153	1,994	(87)
Net borrowings at beginning of period	(189,351)	(207,827)	(207,827)
Net borrowings at end of period	(175,443)	(199,658)	(189,351)

19. Related parties

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Loan from related party

R.E.A. Trading plc ("REAT"), a related party, has made 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 30 June 2021 were $4.1 million (31 December 2020: $4.0 million, 30 June 2020 $1.8 million). Interest paid during the period was $193,000 (31 December 2020: $165,000, 30 June 2020 nil). This disclosure is also made in compliance with the requirements of Listing Rule 9.8.4(10).

20. Rates of exchange

	30 June 2021		30 June 2020		31 December 2020	
	Closing	Average	Closing	Average	Closing	Average
Indonesian rupiah to US dollar	14,496	14,323	14,302	14,622	14,105	14,570
US dollar to pounds sterling	1.3820	1.39	1.2268	1.27	1.3648	1.29

21. Events after the reporting period

There have been no material post balance sheet events that would require disclosure in, or adjustment to, these condensed consolidated financial statements.

22. Cautionary statement

This document contains certain forward-looking statements relating to R.E.A. Holdings plc (the "group"). The group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the group to differ materially from those contained in any forward-looking statement. These statements are made by the directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

References to group companies in this report are defined below:

CDM	PT Cipta Davia Mandiri
KMS	PT Kutai Mitra Sejahtera
PBJ2	PT Persada Bangun Jaya
PU	PT Prasetia Utama
REA Kaltim	PT REA Kaltim Plantations
SYB	PT Sasana Yudha Bhakti

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; to "rupiah" are to the lawful currency of Indonesia; and to "sterling" or "pounds sterling" are to the lawful currency of the United Kingdom.

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