

REA Finance B.V., Amsterdam

HALF YEARLY REPORT 2024

Management presents herewith to the shareholder the half yearly report and condensed accounts of REA Finance B.V. (the “Company”) for the six months ended 30 June 2024.

General

The Company is a private company with limited liability incorporated under the laws of the Netherlands and acts as a finance company on behalf of its parent company. The immediate parent and ultimate holding company is R.E.A. Holdings plc (“REAH”), located in London, United Kingdom.

These condensed accounts have been prepared in pounds sterling (“GBP” or “£”) instead of euros since the majority of the transactions within the Company occur in pounds sterling, which is the Company’s functional currency.

Management of the Company resides with the management board, Apex Financial Services B.V., a corporate director. The Company has no employees. The Company relies on the policies and procedures of REAH as respects governance and risk. The audit committee of REAH supervises the Company pursuant to the terms of reference of the audit committee and reports to the management and board of REAH as respects risks and internal controls. Responsibility for environmental, social and corporate governance matters for the group and its subsidiaries, including the Company, resides with the management and board of REAH.

Overview of activities

The Company has issued sterling notes in minimum denominations of £100,000 and used the proceeds to issue loans to its parent company, REAH, on the same terms as the sterling notes save for a margin on the rate of interest. The Company receives all of its income from REAH through intercompany financing of its foreign subsidiaries. The REAH group is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production and sale of crude palm oil (“CPO”) and crude palm kernel oil (“CPKO”).

During the period under review the Company received interest on the loan from the Company to REAH and paid interest to the noteholders of the sterling notes.

At 30 June 2024, the Company had outstanding: 30,852,000 nominal of sterling notes, amortised cost £31,968,202 (31 December 2023: 30,852,000 nominal of sterling notes, amortised cost £31,921,538, 30 June 2023: 30,852,000 nominal of sterling notes, amortised cost £31,876,354) bearing interest at 8.75 per cent and repayable on 31 August 2025; and the loan of £31,327,000 to REAH, amortised cost £32,439,981 (31 December 2023: loan of £31,327,000, amortised cost £32,392,143, 30 June 2023: loan of £31,327,000, amortised cost £32,345,881) bearing interest at 9.007 per cent repayable to the Company on 20 August 2025.

Results

The net asset value of the Company as at 30 June 2024 amounts to £1,301,619 (31 December 2023: £1,264,506; 30 June 2023: £1,233,286). The net result for the six month period ended 30 June 2024 is a profit of £37,113 (31 December 2023: £60,470; 30 June 2023: £29,249).

Principal risks and uncertainties

The principal risks and uncertainties facing the Company relate to the due performance by REAH of its obligations under the loan agreement with the Company. Any shortfall in performance would impact negatively on the Company's ability to meet its obligations to the holders of the sterling notes. The exposure of the Company towards the noteholders in the event of any shortfall in the collection of the loan to REAH is limited by:

- the guarantee given by REAH and R.E.A. Services Limited ("REAS"), a subsidiary company of REAH incorporated in the United Kingdom, in favour of the noteholders; and
- the Limited Recourse Agreement (the "LRA") dated 29 November 2010 made between the Company, REAH and REAS.

Payment of the principal, premium and interest by the Company in respect of the sterling notes is irrevocably and unconditionally guaranteed by REAH (the "guarantor") and REAS (the "co-guarantor"). The full terms of the guarantee are set out in the trust deed constituting the sterling notes.

The LRA reflects the intention of the parties thereto that the Company, in relation to its financing activities, should (i) meet the minimum risk requirements of article 8c, paragraph 2, of the Dutch Corporate Income Tax Act and (ii) not be exposed to risk in excess of the Minimum Risk Amount ("MRA"). For these purposes the MRA is 1 per cent of the aggregate amounts outstanding under the loan agreement between the Company and REAH. As respects (i) above, the Company's capital and reserves as at 30 June 2024 and 2023 complied with the minimum risk requirements of article 8c, paragraph 2, of the Dutch Corporate Income Tax Act. In addition, pursuant to the LRA, REAH and REAS limited their rights of recourse to the Company in respect of any calls upon their guarantee of the sterling notes.

Going concern and other risks

Management has made a considered assessment of going concern of the Company, including in-depth reviews of group projections and detailed cashflow forecasts.

The Company's income is mainly derived from the group plantation companies in Indonesia and is therefore materially dependent upon selling prices for CPO and CPKO over which it has no control. At 30 June 2024 the group had cash and cash equivalents of \$15.9 million and borrowings of \$183.8 million. The total borrowings repayable by the group in the period to 18 September 2025 amount to the equivalent of \$77.1 million and comprise bank loans, loans from the DSN group and the sterling notes. In addition to the cash required for debt repayments the group also requires cash in the period to fund capital expenditure, dividends on REAH's preference shares and repayment of contract liabilities. Since 30 June, the group has received \$3.6 million representing the final instalment of the subscription monies due for the agreed issue of shares in REA Kaltim to the DSN group, and has agreed arrangements in relation to the rebalancing of shareholder loans to REA Kaltim, which have resulted in repayment of \$12.4 million loans owed to the DSN group (of which \$9.1 million was due in the period to 18 September 2025) and the drawdown of a new loan of \$17.5 million from the DSN group, repayable outside this period. This has reduced the total borrowings repayable by the group in the period to 18 September 2025 to \$68.0 million and contributed a further \$8.7 million of cash. The group expects that repayment of the balance of \$68.0 million will be funded from existing cash resources, positive cash flows from the oil palm operations, replacement borrowings (including \$16.2 million drawn against an additional bank facility agreed since 30 June) and cash flow from the stone and sand interests. The group believes that cash available should be sufficient to meet the debt repayments falling due in the period to 18 September 2025.

Having regard to the foregoing, the directors expect that, 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 group and therefore Company should be able to operate for at least 12 months from the date of approval of the financial statements.

Further details of risks and uncertainties were set out on pages 4 to 6 of the Company's annual report and accounts for the year ended 31 December 2023 (the "2023 Annual Report"), a copy of which is available on REAH's website at www.rea.co.uk.

To date there has been no subsequent change in the principal risks and uncertainties facing the business, or in the arrangements designed to limit the extent of the principal risks.

Further information regarding the principal risks and uncertainties as respects the REAH group are set out on page 42 to 48 of the REAH annual report and accounts 2023.

Related parties

There has been no change to related parties since 31 December 2023.

Statement of directors' responsibilities

The sole director of the Company is Apex Financial Services B.V. The director confirms that this set of condensed accounts has been prepared in accordance with Dutch Generally Accepted Accounting Principles as applicable to interim reports, and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules of the Financial Conduct Authority, paragraph DTR 4.2.7.

Amstelveen, 19 September 2024

Apex Financial Services B.V.

 Yasemin Demirtas

Balance Sheet as at 30 June 2024

	Notes	30 June 2024 £'000	30 June 2023 £'000	31 December 2023 £'000
ASSETS				
Non-current assets				
<i>Financial assets</i>				
Loan to parent company	1	32,440	32,346	32,392
		<u>32,440</u>	<u>32,346</u>	<u>32,392</u>
Current assets				
<i>Receivables</i>				
Receivable from parent company		784	685	692
Prepayments		16	16	-
Taxes		6	2	-
		<u>806</u>	<u>703</u>	<u>692</u>
<i>Cash</i>		29	65	106
		<u>33,275</u>	<u>33,114</u>	<u>33,190</u>
SHAREHOLDER'S EQUITY AND LIABILITIES				
Shareholder's equity				
	3			
Issued and paid up share capital		16	15	16
Share premium reserve		475	475	475
Other reserves		774	714	774
Unappropriated results		37	29	-
		<u>1,302</u>	<u>1,233</u>	<u>1,265</u>
Long term liabilities				
Sterling notes	2	31,968	31,876	31,922
Current liabilities				
Accounts payable		1	1	1
Taxes		1	-	-
Accrued liabilities		3	4	2
		<u>5</u>	<u>5</u>	<u>3</u>
		<u>33,275</u>	<u>33,114</u>	<u>33,190</u>
Total shareholder's equity and liabilities				

Profit and loss account for the six months ended 30 June 2024

	Notes	30 June 2024 £'000	30 June 2023 £'000	31 December 2023 £'000
Financial income		1,472	1,461	2,931
Financial expenses		(1,396)	(1,396)	(2,794)
Gross margin		<u>76</u>	<u>65</u>	<u>137</u>
Administrative costs		(30)	(29)	(62)
Result before taxation		<u>46</u>	<u>36</u>	<u>75</u>
Taxation	4	(9)	(7)	(14)
Result after taxation		<u>37</u>	<u>29</u>	<u>61</u>

GENERAL INFORMATION

REA Finance B.V. (the "Company") is a private company with limited liability, incorporated under Dutch law on 7 November 2006, having its corporate seat at Amsterdam, the Netherlands, with offices at Van Heuven Goedhartlaan 935A, 1181 LD Amstelveen. The Company has been registered at the Chamber of Commerce under file number 34259527. The principal activity of the Company is to act as a finance company. The Company receives all of its income from its parent company, R.E.A. Holdings plc ("REAH"). The Company has received proceeds from the issue of sterling notes which have been used to grant a loan to REAH.

100 per cent of the shares of the Company are held by REAH. REAH is a public listed company located in the United Kingdom and the ultimate parent company of a group (the "group") which is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production and sale of crude palm oil ("CPO") and crude palm kernel oil ("CPKO").

The financial information of the Company is included in the consolidated financial statements of REAH.

Basis of preparation

The condensed financial information for the period of six months ended 30 June 2024 comprise the results for the six months ended 30 June 2024 and 30 June 2023 together with abridged annual accounts for the year ended 31 December 2023.

The condensed accounts for the period of six months ending 30 June 2024 have been prepared in accordance with accounting principles generally accepted in the Netherlands and in conformity with provisions governing annual accounts as contained in Part 9 of Book 2 of the Dutch Civil Code and should be read in conjunction with the annual accounts for the year ended 31 December 2023.

The same accounting policies, presentation and methods of computation are followed in this set of condensed accounts as applied in the Company's latest annual accounts.

Exchange rates

The exchange rates used are:

	<u>30 June 2024</u>	<u>30 June 2023</u>	<u>31 December 2023</u>
1 GBP (pound sterling) = € (Euro)	1.18	1.17	1.15

Notes to the condensed accounts for the six months ended 30 June 2024

1. Loan to parent company

R.E.A. Holdings Plc	30 June 2024 £'000	30 June 2023 £'000	31 December 2023 £'000
<i>Financial fixed assets – due after one year</i>			
Balance at 1 January	32,392	32,302	32,302
Adjustment to present value of premium	48	44	90
Balance at 30 June/31 December	<u>32,440</u>	<u>32,346</u>	<u>32,392</u>
Total loan to parent company	<u>32,440</u>	<u>32,346</u>	<u>32,392</u>

The loan to REAH bears interest at 9.007 per cent (2023: 9.007 per cent) which is the effective rate. The loan is repayable on 20 August 2025.

A premium of 4p per £1 nominal of notes is payable on redemption of the 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 warrants issued by REAH on the final subscription date. As a consequence, the Company has agreed with REAH that an amount equivalent to the premium, if any, payable on redemption of the sterling notes shall be aggregated with the loan which is repayable on 20 August 2025.

2. Sterling notes

Sterling notes 2025	30 June 2024 £'000	30 June 2023 £'000	31 December 2023 £'000
<i>Long term liabilities – due after one year</i>			
Balance at 1 January	31,922	31,834	31,834
Adjustment to present value of premium	46	42	88
Balance at 30 June/31 December	<u>31,968</u>	<u>31,876</u>	<u>31,922</u>
Total sterling notes	<u>31,968</u>	<u>31,876</u>	<u>31,922</u>

The sterling notes bear interest at 8.75 per cent (2023: 8.75 per cent) which is the effective rate. The interest rate was determined by the Company and its advisers after comparing similar listed instruments and is considered to be a market rate. They are repayable on 31 August 2025.

A premium of 4p per £1 nominal of notes is payable on redemption of the 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 warrants issued by REAH on the final subscription date. The premium is applied to the sterling notes over their remaining term and calculated at the rate of 8.75 per cent. Up to the date of signing these condensed accounts, no sterling notes have been surrendered in satisfaction of the subscription price on exercise of the warrants.

3. Shareholder's equity

The authorised share capital of the Company amounts to €90,000 divided into 90,000 shares of €1 each, of which 18,000 shares have been issued and fully paid-up. The share capital is recorded at the rate of exchange at the balance sheet date. At 30 June 2024 the rate was 1 GBP = €1.18 (31 December 2023: 1 GBP = €1.15; 30 June 2023: 1 GBP = €1.17).

	Share capital £'000	Share premium £'000	Other reserves £'000	Unappropriated results £'000
Balance as at 30 June 2023	15	475	714	29
Revaluation share capital	1	-	(1)	-
Result for the period	-	-	-	32
Appropriation of result	-	-	61	(61)
Balance as at 31 December 2023	16	475	774	-
Revaluation share capital	-	-	-	-
Result for the period	-	-	-	37
Balance as at 30 June 2024	16	475	774	37

4. Corporate income tax

	30 June 2024 £'000	30 June 2023 £'000	31 December 2023 £'000
Corporate income tax - current period	(9)	(7)	(14)

OTHER INFORMATION

Shareholder information

The Company's half yearly report and condensed accounts for the six months ended 30 June 2024 is available for downloading from REAH's website at www.rea.co.uk.

Statutory rules relating to the appropriation of results

In accordance with article 18 of the Company's articles of association, and Book 2 of the Dutch Civil Code, the allocation of profits accrued in a financial year shall be determined by the general meeting. If the general meeting does not adopt a resolution regarding the allocation of the profits prior to or at latest immediately after the adoption of the annual accounts, the profits will be reserved.

The general meeting has the authority to make distributions. If the Company is required by law to maintain reserves, this authority only applies to the extent that the equity exceeds these reserves. No resolution of the general meeting to distribute shall have effect without the consent of the management board. The management board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its debts as they fall due.

Subsequent events

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