R.E.A. HOLDINGS PLC

Half yearly report

2022

R.E.A. Holdings plc (“REA”) is a UK company of which the shares are admitted to the Official List and to trading on the main market of the London Stock Exchange.

The REA 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 and crude palm kernel oil.

Key statistics

	6 months to 30 June 2022	6 months to 30 June 2021
Results ($'000)		
Revenue	108,622	87,667
Earnings before interest, tax, depreciation and amortisation*	31,225	27,670
Profit before tax	19,182	7,648
Profit / (loss) attributable to ordinary shareholders	7,884	(2,366)
Return per ordinary share		
Basic profit / (loss) per share (cents)	17.9	(5.4)
Dividend (pence)	–	–
FFB harvested (tonnes)		
Group	321,993	366,040
Third party	126,893	110,051
Total	448,886	476,091
Production (tonnes)		
FFB processed	428,608	464,045
FFB sold	14,445	8,121
CPO	96,299	103,299
Palm kernels	20,578	21,905
CPKO	7,970	8,310
Extraction rates (percentage)**		
CPO	22.5	22.3
Palm kernels	4.8	4.7
CPKO	39.5	38.6
Average exchange rates		
Indonesian rupiah to dollar	14,485	14,323
Dollar to sterling	1.29	1.39

* See note 5

** The group cannot separately determine extraction rates for its own FFB and for third party FFB; CPO extraction rate and CPO and CPKO yields are therefore calculated applying uniform extraction rates across all FFB processed

References in this report to group operating companies in Indonesia are as listed under the map on page 3.

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

References to "dollars", "$" and "cents" are to the lawful currency of the United States of America; to "rupiah" are to the lawful currency of Indonesia; and to "sterling", "pounds sterling", "£" and "pence" or "p" are to the lawful currency of the United Kingdom ("UK").

Contents

Highlights

Overview

- Improving operational and financial performance despite inflationary pressures and the impact on selling prices of interventions by the Indonesian government to support local cooking oil prices
- Targeted measures to address climate-related risks and opportunities being implemented throughout the group

Financial

- Revenue up 24 per cent to $108.6 million (2021: $87.7 million), benefiting from higher average selling prices for CPO and CPKO of, respectively, $971 (2021: $694) and $1,712 (2021: $1,029)
- EBITDA increased by 13 per cent to $31.2 million (2021: $27.7 million) as higher selling prices more than offset a reduction in crop volumes and the pressures of cost inflation
- Interest rates on Indonesian bank loans reduced from 8.75 per cent to 7.75 per cent effective 1 June 2022
- $11.7 million (net) of loans repaid by the stone and coal concession holding companies
- Dollar note maturity extended by four years to 30 June 2026
- Increase in net borrowings of $8.3 million more than offset by reduction of $16.5 million in payables and temporary increase of $11.0 million in inventories (mainly reflecting advance purchases of fertiliser)

Agricultural operations

- FFB production decreased to 321,993 tonnes (2021: 366,040 tonnes) reflecting high levels of rainfall in the first quarter
- Accelerated investment in transport fleet and road infrastructure programmes to improve efficiencies
- CPO extraction rate averaging 22.5 per cent (2021: 22.3 per cent)

Stone and coal interests

- Coal mining at IPA's Kota Bangun concession continuing at some 30,000 tonnes per month from the southern pit with seven shipments made to date
- IPA finalising plans with its contractor to reopen the northern pit
- ATP preparing to commence stone operations prior to the end of 2022

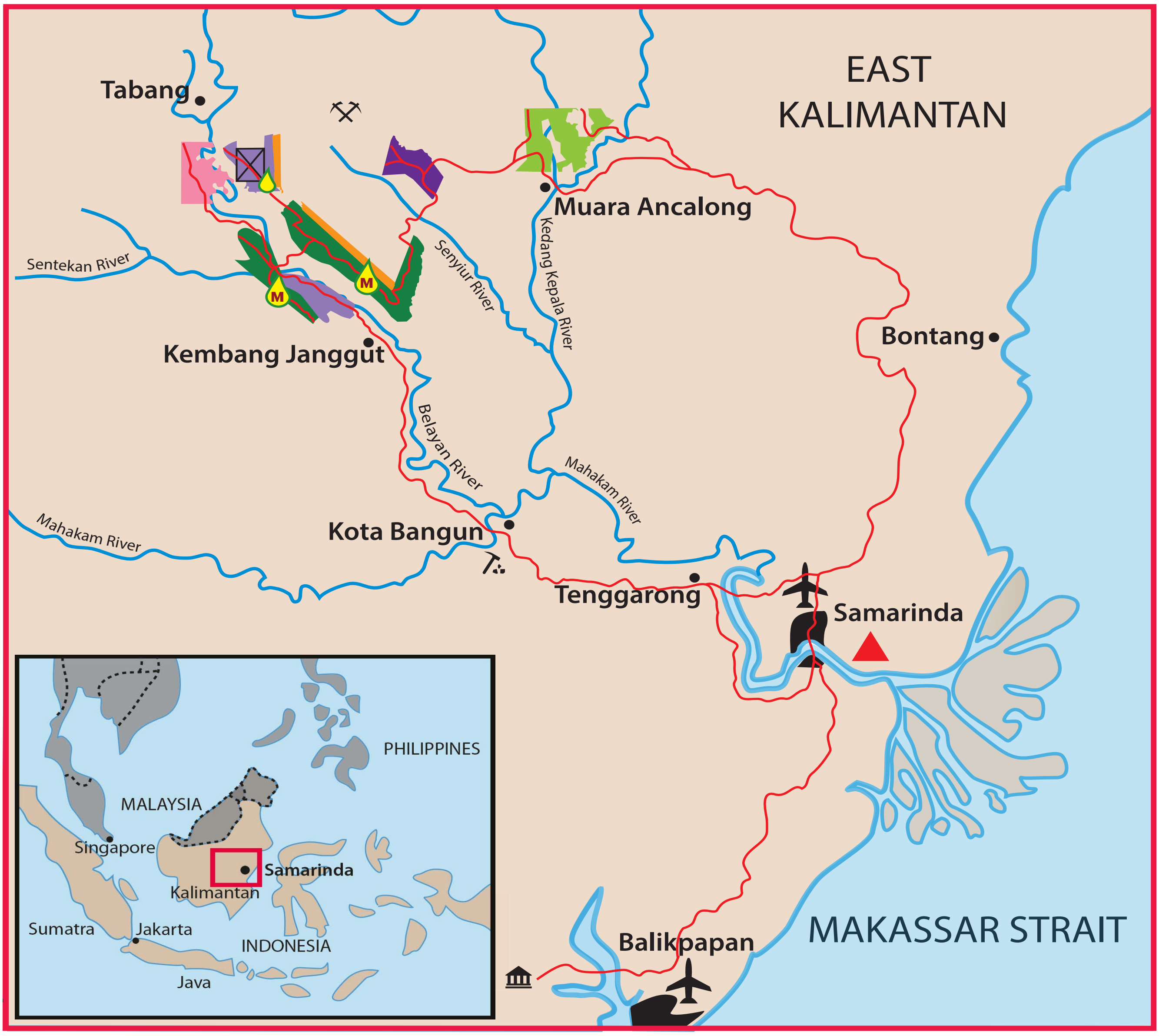
Sustainability

- Following review of sustainability strategy and practices, group committed to achieving a 50 per cent reduction in GHG emissions by 2030 and net-zero emissions by 2050
- Certification and recertification audits successfully completed and all licences renewed or extended under ISCC, RSPO and ISPO schemes
- New commercial pricing policy adopted for purchases of third party FFB
- Platinum certificate awarded by the Ministry of Manpower for the group's Covid prevention and control programme

Outlook

- Full year production expected to exceed that of 2021, with crops weighted, as usual, to the second half
- Recent relaxation of certain Indonesian government measures resulting in a recovery in domestic Indonesian CPO prices
- Improving financial position with stronger cash generation from the agricultural operations and further loan repayments from stone and coal concession companies
- 10p per share of arrears of preference shares to be paid together with the 4.5p semi-annual dividend arising on 31 December 2022

Map



The map provides a plan of the operational areas and of the river and road system by which access is obtained to the main areas.

Key	
⸬	Coal concession
M	Methane capture plant
(oil drop)	Oil mill
(building)	Proposed new Indonesian capital city
—	Road
⚒	Stone source
▲	Tank storage

Companies		
■	**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
☒	**SYB**	SYB land transfer

Interim management report

Results

The result for the first half of 2022 was a profit before tax of $19.2 million. This compares favourably with the profit of $7.6 million reported for the first half of 2021. Earnings before interest, depreciation, amortisation and tax amounted to $31.2 million (2021: $27.7 million).

Overall, results benefited from higher average selling prices as shown below. Although sales volumes were below 2021 levels, revenue of $108.6 million showed a 24 per cent increase compared with the same period in 2021, more than offsetting significant inflationary pressures on costs.

	6 months to 30 June 2022 $	6 months to 30 June 2021 $	Year to 31 December 2021 $
Average selling prices per tonne*:			
CPO	971	694	777
CPKO	1,712	1,029	1,157

* Including premia for certified oil but net of export levy and duty, adjusted to FOB Samarinda

Specific components of the results

Cost of sales for the six months to 30 June 2022, with comparative figures for 2021, was made up as follows:

	6 months to 30 June 2022 $'m	6 months to 30 June 2021 $'m	Year to 31 December 2021 $'m
Purchase of external FFB	27.4	15.7	33.3
Estate operating costs	37.4	31.2	69.6
Depreciation and amortisation	13.8	14.1	27.7
Stock movement at historic cost	(2.2)	1.2	1.8
	76.4	62.2	132.4

The overall increase of $14.2 million in cost of sales against the corresponding period in 2021 was the result of the increased cost of external FFB purchases reflecting the higher prices for both CPO and CPKO and, to a lesser extent, the higher cost of fertiliser and fuel.

Investment revenues increased by $3.9 million to $4.2 million (2021: $0.3 million) following the recommencement of operations in the coal concession company as detailed under "Stone and coal interests" below. This increase includes a $3.2 million reversal of a provision in respect of prior year interest receivable.

Administrative expenses amounted to $9.4 million against $8.4 million in 2021, the increase being mainly due to higher employee related costs and a $0.6 million reduction in capitalised costs. 2022 half year costs appear high compared to the full year costs for 2021, however in 2021 there was a one-off $2.7 million credit in the Indonesian operations in the second half of the year in respect of future retirement benefit obligations following a change in labour legislation in Indonesia.

Finance costs for the half year amounted to $2.4 million against $6.2 million in 2021. The decrease was mainly attributable to the increased contribution from foreign exchange profits which amounted to $7.2 million against $3.2 million in the corresponding period in 2021.

The tax charge for the period was $5.0 million against $4.6 million in 2021. The charge for the period is stated net of a deferred tax credit of $1.0 million arising on the translation of opening deferred tax balances while $1.0 million of the 2021 charge related to tax paid by one Indonesian group subsidiary in respect of a prior year. The movement in the tax charge with these one-off items excluded reflects the increase in taxable profits compared to the corresponding period in 2021.

Dividends

The fixed semi-annual dividend on the company's preference shares that fell due on 30 June 2022 was duly paid.

The directors have previously stated their intention to pay not less than 10p of the cumulative arrears of preference dividend (which currently amount to 17p per share) on or before 31 December 2022 and the balance of those arrears during 2023. The recent series of changes in Indonesian tariffs and restrictions applicable to exports of CPO (as discussed under "Agricultural selling prices" below) have meant that the prices achieved in recent months on sale of the group's CPO have fallen materially short of the levels anticipated earlier in the year. As a result, the directors now expect that, in the absence of any unforeseen further adverse circumstances, the payment of arrears of dividend during 2022 will be limited to 10p per share and that this will be paid on 31 December 2022, together with the semi-annual preference dividend of 4.5p per share arising on that date. It remains the directors' intention to pay the outstanding balance of the arrears of preference dividend in 2023.

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:

FFB harvested (tonnes)	6 months to 30 June 2022	6 months to 30 June 2021
Group	321,993	366,040
Third party	126,893	110,051
Total	448,886	476,091
Production (tonnes)		
Total FFB processed	428,608	464,045
FFB sold	14,445	8,121
CPO	96,299	103,299
Palm kernels	20,578	21,905
CPKO	7,970	8,310
Extraction rates (percentage)		
CPO	22.5	22.3
Palm kernels	4.8	4.7
CPKO*	39.5	38.6
Rainfall (mm)		
Average across the estates	2,012	1,800

* Based on kernels processed

As shareholders have been previously advised, production in the early months of 2022 was negatively impacted by high levels of rainfall hindering ripening and evacuation of FFB and delaying the group's road upkeep programme. Average rainfall across the group's estates was up by some 35 per cent in the first quarter of 2022 compared with the historic average of the last ten years. As weather conditions became more favourable in the second quarter, albeit that rainfall for the half year period under review was 12 per cent above the historic ten year average, daily crop production and evacuation started to improve and this improvement has been sustained going into the second half of 2022.

Investment in the group's transport fleet, with the group having taken delivery during 2022 of substantial numbers of new tractors and trucks, is gradually having a positive impact on production efficiency. This, combined with a programme to improve the group's road infrastructure, should reduce the problem of crop evacuation during periods of heavy rainfall. As part of the road improvement programme, the group plans to start converting main roads to all-weather roads by building a sub-surface stone base to the roads. The increased cost that this will entail should be more than compensated for by greater efficiency of FFB deliveries to the mills, and improved durability and lower maintenance costs of the roads.

The group has continued with some limited replanting of the oldest mature areas dating from 1994 where yields are showing signs of easing back. Replanting, together with recent investments in bunding to improve water management and in resupplying flood prone areas, will help to maintain yields from the group's existing planted areas. Additionally, the group has recently commenced development of its new extension area at PU with a view to initiating planting in the final quarter of 2022.

Under more rigorous management and with better mill processing standards and planning and maintenance programmes, the functioning of the group's mills has improved. To reduce reliance on contractors and the impact of shortages of spare parts as a consequence of both Covid and, more recently, worldwide supply and transportation issues, the group has stepped up its in-house fabrication programmes. Delayed deliveries of parts, however, does mean that reinstatement of the boiler at Perdana oil mill ("POM") that was damaged by fire in 2021 will not now be completed until early 2023. Nevertheless, the group continues to have sufficient processing capacity for its own FFB production and that of third party suppliers.

Agricultural selling prices

International CPO prices traded at unprecedented levels in the first quarter of 2022 rising from $1,350 per tonne, CIF Rotterdam, at the beginning of January to peak at $1,990 in early March due principally to tighter availability of vegetable oils, exacerbated by the war in the Ukraine. Subsequently prices have fallen back, declining to $1,510 at the end of June and a current level of $1,065, as a result of improved overall availability of vegetable oils coupled with reduced demand, particularly from China which continues to be impacted by Covid-related problems. Nevertheless, the average price to-date in 2022 of in excess of $1,450 per tonne compares favourably with the average price in 2021 of $1,190.

The rates at which tariffs are levied on exports of CPO from Indonesia increase as international CPO prices rise and arbitrage between Indonesian domestic and international CPO markets means that such tariffs drive the net revenues that Indonesian producers receive for the CPO that they produce, irrespective of whether such CPO is exported.

Furthermore, in recent months, several interventions by the Indonesian government designed to support the local availability of cooking oil at an affordable price have had a significant negative impact on net prices realisable by Indonesian CPO producers. Such interventions have included a temporary ban on exports of CPO, the introduction of domestic market obligations and repeated revisions to the export tariff structure. The immediate effect of these measures was to create excess stocks of CPO within Indonesia and a significant increase in the differential between domestic and international CPO prices. Subsequently, as excess stocks have run down, the differential has reduced and is now returning to a level that simply reflects a normal differential dictated by the export tariff structure. The withholding of Indonesian CPO from world markets during the period of export restrictions and the subsequent sale of excess Indonesian stocks over a short period has exacerbated the swings in the international CPO price.

As previously reported, the group sells CPO to Indonesian refineries under long term sales contracts. These have ensured that the group has been able to sell its CPO on a regular basis and to avoid any build up in stocks. However, the prices achieved by the group are based on prevailing domestic market prices for CPO and, as such, have in recent months reflected not only the normal discount to be expected as a result of the export tariffs, but also the negative effect of the Indonesian government interventions.

The average selling price for the group's CPO for the six months to the end of June 2022, including premia for certified oil, net of export duty and levy, adjusted to FOB Samarinda, was $971 per tonne (2021: $694 per tonne). The average selling price for the group's CPKO, on the same basis, was $1,712 per tonne (2021: $1,029 per tonne).

Stone and coal interests

The coal concession holding company, PT Indo Pancadasa Agrotama ("IPA"), to which the group has made loans, is continuing to mine coal from the southern pit in its Kota Bangun concessions at a rate of approximately 30,000 tonnes per month and has made seven shipments to date at selling prices averaging $267 per tonne (delivered FOB vessel). Rising fuel costs and a forthcoming increase in government royalty rates mean that direct mining and transportation costs for this pit are expected to increase by some 20 to 30 per cent for future shipments. IPA is working on arrangements with the southern pit contractor to finalise a mine plan for reopening the northern pit (which was previously mined some years ago).

The stone concession holding company, PT Aragon Tambang Pratama ("ATP"), to which the group has also made loans, is working on completing a mine plan and budget in preparation for starting operations with its preferred contractor prior to the end of 2022. The contractor will operate the quarry to supply stone to the group's agricultural operations for infrastructure projects, such as building all-weather roads, and for sale to a neighbouring coal company and other third parties. Quarrying volumes in the first few months will be modest but should scale up during 2023. There is a large deposit of stone for which there is understood to be good long term demand.

As previously reported, the group has advanced substantial loans to IPA and surplus cash accruing to IPA from its mining operations is being applied in the repayment of those loans. The rapid extraction of coal at IPA encourages an expectation of an early full recovery of group loans. Any surplus cash accruing to IPA after repayment of group loans will be available to be applied by IPA in paying dividends. 95 per cent of such dividends will be payable to ATP and can be utilised by ATP in reducing its own loans from the group.

It remains the directors' intention that the group withdraw from its coal interests.

Sustainability

Following a recent review of the group's sustainability strategy and practices, a framework of principles and procedures has been developed to evaluate and address climate-related risks and opportunities related to the group's business and the wider community and to monitor the group's response to such risks and opportunities. The group has made a commitment to achieve a 50 per cent reduction in greenhouse gas ("GHG") emissions by 2030 and to work towards the longer term objective of net-zero emissions by 2050. In furtherance of these commitments, a climate change working group ("CCWG") has been established in 2022 to identify, quantify and reduce emission sources across all of the group's operations and to set actions, priorities and timelines for the group. The CCWG reports to the president director in Indonesia.

The group's strategy is to deliver regeneration by addressing climate change, biodiversity loss, and environmental degradation and seeking to deliver prosperity for all. Six core principles or pillars underpin this strategy: mitigating climate change; enabling biodiversity to thrive; rejuvenating soil; protecting watersheds and ground water; investing in livelihoods and empowering local farmers and communities; and intensifying crop yields.

The group's conservation department ("REA Kon") has installed climate indicator tools and collects temperature, rainfall and humidity data from its weather station on the estates. Water quality is measured quarterly in several watersheds in the group's forested conservation reserves and High Conservation Value ("HCV") forested areas to ensure that water resources remain free of contamination.

REA Kon is expanding its rewilding programme and continues to supply seedlings of endemic forest fruit and timber tree species to local communities and for restoration projects. 1,060 seedlings have been distributed and planted since the beginning of 2022. The group's conservation reserves are monitored and maintained regularly.

The biodiversity team's programme of mapping the locations of all species within the group's conservation reserves identified a total of 248 species (43 mammals, 130 birds, 23 reptiles, 27 amphibian species, and 25 species of *Lepidoptera* (butterflies and moths)) in the first half of 2022.

In 2022, certification and recertification audits for the ISCC, RSPO, and ISPO schemes have again been conducted in part remotely due to continuing Covid-related travel restrictions. All licences have been renewed or extended, but in some cases pending onsite audits. In preparation for commencement of extension planting at PU, the RSPO new planting procedures and independent verification thereof have been completed and were submitted to the RSPO in June 2022. The 30 day public consultation period closed at the end of August and final approval is now pending.

The recertification audit under ISO 14001, the international standard for effective environmental systems, for the REA Kaltim and SYB estates and mills and the bulking station was also successfully completed in March 2022 with certification renewed until early 2025.

The group continues to work with RSPO to resolve previously reported compensation liabilities and agree the remedial actions relating 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 two of the group's estates. The social impact assessment in respect of the CDM area in question was conducted in March 2022. Once the SYB position is resolved, Satria oil mill ("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 pilot project established with an international funding body in 2021 to provide a mechanism for smallholder farmers to access funds for intensifying their oil palm yields and developing alternative revenue streams is currently being extended to other local villages. 800 local smallholders in three local villages have so far received training in best management practices for oil palm to help improve their yields and FFB quality. Replanting of five further smallholder demonstration plots will commence in the second half of 2022. 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.

In 2022, to further expand community driven projects, the group has started a collaboration with an independent delivery partner, the local government and local communities with the aim of establishing public-private-community partnerships for all of the communities in the vicinity of the group's operations. As part of a pilot project, two villages have, for the first time, produced community maps setting out the development aspirations for their respective administrative areas. The group is also working with local communities through the village owned enterprises (Badan Usaha Milik Desa) to provide transport for FFB, CPO and other palm products under contract.

The group has recently adopted a new pricing policy for the purchase of third party FFB. This replaces the previous use of a single price set every two weeks by a local government authority (and applicable to all mills in East Kalimantan irrespective of their location) with a commercial price set weekly by the group having regard to prices offered for external FFB by competitor mills. The new policy should facilitate differential pricing between the group's three mills so as to better balance mill FFB throughputs and will, in due course, permit the introduction of incentive payments to local FFB suppliers who are willing to obtain sustainability certification for their FFB.

The group is aiming to achieve the Indonesian Health and Safety Work Management System (SMK3) accreditation with the intention of securing certification in 2023. Implementation of the international standards of Operational Health and Safety Management System (ISO 45001:2018) has again been delayed in 2022 as the required external trainers have not been available due to Covid-related travel restrictions.

The group has continued to promote and provide Covid vaccinations through either the Indonesian government programme, for those who are eligible, or a private programme funded by the group with the aim of securing vaccination for all employees and families living on the group's estates. In recognition of the group's programmes for the prevention and control of Covid in the workplace, Indonesia's Ministry of Manpower, through the Director General of Manpower Supervision and Occupational Health and Safety, recently awarded the group a platinum rating.

Financing

At 30 June 2022, 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 $255.1 million (31 December 2021: $246.4 million).

Group indebtedness at 30 June 2022 totalled $211.6 million against $222.6 million at 31 December 2021. Against this indebtedness, the group held cash and cash equivalents of $19.0 million (31 December 2021: $46.9 million) and investments of $8.6 million (31 December 2021: nil). As a result, the group net indebtedness at 30 June 2022 of $184.0 million showed an increase of $8.3 million from the group net indebtedness at 31 December 2021 of $175.7 million. This increase was more than offset by the $39.0 million investment in increased working capital referred to below.

The composition of the net indebtedness at 30 June 2022 was as follows:

	$'m
7.5 per cent dollar notes 2026 ("dollar notes") ($27.0 million nominal)	26.9
8.75 per cent guaranteed sterling notes 2025 ("sterling notes") (£30.9 million nominal)	38.3
Loans from non-controlling shareholder	16.2
Indonesian term bank loans	127.2
Drawings under working capital lines	3.0
	211.6
Investments (dollar notes held in treasury)	(8.6)
Cash and cash equivalents	(19.0)
Net indebtedness	184.0

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 to each noteholder a consent fee equal to 0.25 per cent of the nominal amount of

the dollar notes held by such holder. In conjunction with the proposal to extend the redemption date for the dollar notes, the company put in place arrangements whereunder any noteholder who wished to realise their holding of dollar notes by the previous redemption date of 30 June 2022 was offered an opportunity so to do (the "sale facility").

Holders of $14.8 million nominal of the $27.0 million dollar notes elected to take advantage of the sale facility. $6.0 million nominal of such dollar notes were resold and R.E.A. Services Limited ("REAS") (a wholly owned subsidiary of the company) acquired the unsold balance of $8.8 million nominal of dollar notes. $248,000 nominal of such notes were then resold at par for settlement on 30 June 2022. Accordingly, the total net amount of dollar notes purchased from divesting noteholders and currently held by REAS is $8.6 million.

During the six months to 30 June 2022, the working capital facility equivalent to $5.3 million provided to CDM by PT Bank Mandiri Tbk ("Mandiri") was repaid and SYB drew down a further Indonesian rupiah denominated term loan from Mandiri equivalent to $6.3 million upon completion of the SOM extension (such loan having been previously agreed conditional upon such completion).

Operating cash flows before movements in working capital amounted to $36.3 million but an addition to working capital of $39.0 million, and taxes and interest paid totalling $13.6 million, resulted in net cash used in operations of $16.3 million. The increase in working capital was predominantly accounted for by a $16.5 million reduction in payables and an increase in inventories of $11.0 million. The reduction in payables reflected a reduction in pre-sale advances, while the increase in inventories stemmed mainly from substantial advance purchases of fertiliser to mitigate the risks of fertiliser shortages and increasing prices arising from the war in Ukraine.

Capital expenditure of $5.5 million and the preference dividend of $4.0 million were comfortably covered by a net repayment of $11.7 million of loans to the stone and coal concession holding companies but net bank repayments of $3.1 million, a net outflow of $8.7 million in respect of the extension of the repayment date of the dollar notes, combined with other minor items and the cash utilised in operations, resulted in a reduction of $26.7 million in cash and cash equivalents.

Outlook

The group expects that its 2022 crop will, as is usual, be weighted towards the second half. Harvested group FFB for July and August totalled 153,000 tonnes against 132,000 tonnes in 2021. Bunch counts indicate that the recovery in harvested crop levels referred to under "Agricultural operations" above will be maintained and that group FFB for 2022 as a whole will exceed that of 2021. The group can also expect some improvement in operational efficiencies as harvesting rounds, which became extended as a result of the evacuation problems in the first half of the year, return to more normal levels.

Indonesian government measures affecting the sale of CPO, as detailed under "Agricultural selling prices" above, meant that the prices realised by the group on sale of its CPO in July and August were significantly below the average level realised in the first half of the year. However, the measures have now been relaxed and prices have recovered to a more reasonable level of between $700 and $800 per tonne. As the excess Indonesian CPO stocks that resulted from the measures are sold off, a further recovery is possible.

The group does face significant inflationary pressures but the impact of these will be mitigated by the advance purchase of fertiliser that was made earlier in 2022 at the prices then prevailing. In US dollar terms some inflationary pressure will also be offset by the weakness of the Indonesian rupiah which has fallen from a level of Rp 14,269 = $1 at the beginning of the year to a current level of Rp 14,944 = $1.

Cash flow in the second half will be enhanced by a release of working capital as fertiliser stocks are utilised. The group will also benefit from a reduction in the rate of interest payable on the group's Indonesian bank loans to 7.75 per cent per annum. Net loan repayments from the coal and stone concession holding companies are expected to continue.

Taking into account the above factors, the group can expect a satisfactory result for 2022 as a whole and, with operations on a stable footing, can look forward to an improving financial position.

Approved by the board on 21 September 2022 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 2021 annual report (the "annual report") were set out on pages 38 to 44 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	Loss of crop and adverse logistical impacts
Cultivation risks	Impact of pests and diseases
Other operational factors	Logistical disruptions to the production cycle, including transportation and input shortages or cost increases
Produce prices	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	
Prices and operational factors	Failure by external contractors to achieve agreed targets, and failure to recover fully loans to the stone and coal interests
Environmental, social and governance practices	Failure to meet expected standards
Climate change	High levels of rainfall disrupting operations
General	
Currency	Adverse exchange movements between sterling or the rupiah against the dollar
Cost inflation	Increased costs as a result of worldwide economic factors or shortages of required inputs such as fertiliser and diesel arising from the war in Ukraine
Funding	Inability to meet liabilities as they fall due
Counterparty risk	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

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, have resulted in material inflation in group costs. Moreover, lack of availability of such inputs would negatively affect the group's production volumes further.

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. The group has committed to a 50 per cent reduction in GHG emissions by 2030 and a longer term objective of net-zero emission by 2050. A climate change working group (CCWG) has been established in Indonesia, to identify, quantify and reduce emissions sources across all of the group's operations and to set actions, priorities and timelines for the group. Furthermore, in addition to reporting on energy consumption and efficiency in accordance with the UK Government's SECR framework, the group has also included disclosures in accordance with the TCFD recommendations in its 2021 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 2021 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.

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

Principal risks and uncertainties

continued

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 46 and 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 2022 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 46 to 48 of the 2021 annual report, the directors set out considerations with respect to the group's capital structure and their assessment of liquidity and financing adequacy.

Although the group's net indebtedness increased by $8.3 million over the six months to 30 June 2022, this was more than accounted for by the $39.0 million investment in increased working capital, a significant component of which should be released over the next 12 months.

With recovering prices and higher crops, stronger cash generation can be expected from the agricultural operations, notwithstanding the significant inflationary pressures, particularly as respects fertiliser and fuel. With the expectation that loan repayments by the stone and coal concession holding companies will continue, the group believes that cash available should be sufficient to meet the debt repayments falling due in the period to 30 June 2023.

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 22 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 2021 annual report that could do so.

Following the retirement of Irene Chia on 31 December 2021, Mieke Djalil was appointed as a non-executive director of the company with effect from 4 July 2022. That apart, the current directors of the company are as listed on page 45 of the company's 2021 annual report.

Approved by the board on 21 September 2022

DAVID J BLACKETT
Chairman

Consolidated income statement

for the six months ended 30 June 2022

	Note	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Revenue	2	**108,622**	**87,667**	**191,913**
Net (loss) /gain arising from changes in fair value of agricultural produce inventory	4	(4,927)	(3,279)	2,661
Cost of sales		(76,381)	(62,184)	(132,420)
Gross profit		**27,314**	**22,204**	**62,154**
Distribution costs		(475)	(249)	(637)
Administrative expenses	5	(9,437)	(8,377)	(13,434)
Operating profit		**17,402**	**13,578**	**48,083**
Investment revenues	2	4,192	270	1,483
Finance costs	6	(2,412)	(6,200)	(20,368)
Profit before tax	5	**19,182**	**7,648**	**29,198**
Tax	7	(4,984)	(4,585)	(19,937)
Profit for the period		**14,198**	**3,063**	**9,261**
Attributable to:				
Equity shareholders		11,854	2,136	7,326
Non-controlling interests		2,344	927	1,935
		14,198	**3,063**	**9,261**
Profit / (loss) per 25p ordinary share (US cents)				
Basic	9	17.9	(5.4)	(3.4)
Diluted	9	16.4	(5.4)	(3.4)

All operations in all periods are continuing.

Consolidated statement of comprehensive income

for the six months ended 30 June 2022

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Profit for the period	**14,198**	**3,063**	**9,261**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	–	1,673	497
Deferred tax on exchange differences	–	(630)	2
	–	1,043	499
Items that will not be reclassified to profit or loss:			
Actuarial gains	–	5	759
Deferred tax on actuarial gains	–	(1)	(154)
	–	4	605
Total comprehensive income for the period	**14,198**	**4,110**	**10,365**
Attributable to:			
Equity shareholders	11,854	3,183	8,560
Non-controlling interests	2,344	927	1,805
	14,198	**4,110**	**10,365**

Consolidated balance sheet

as at 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000	31 December 2021 $'000
Non-current assets				
Goodwill		12,578	12,578	12,578
Intangible assets: development expenditure	10	334	575	361
Property, plant and equipment	11	356,296	366,545	365,798
Land	12	44,110	39,942	43,640
Financial assets: stone and coal interests	14	46,688	53,109	55,107
Deferred tax assets		3,035	6,762	4,275
Non-current receivables		5,297	5,302	5,300
Total non-current assets		468,338	484,813	487,059
Current assets				
Inventories		25,016	15,085	17,832
Biological assets		2,740	2,373	4,154
Investments (dollar notes held in treasury)	15	8,570	–	–
Trade and other receivables		42,997	33,876	34,284
Current tax asset		368	1,356	1,230
Cash and cash equivalents		19,009	28,795	46,892
Total current assets		98,700	81,485	104,392
Total assets		**567,038**	**566,298**	**591,451**
Current liabilities				
Trade and other payables		(32,993)	(45,930)	(54,720)
Current tax liabilities		(4,588)	(1,564)	(5,705)
Bank loans	17	(16,400)	(16,214)	(16,955)
Dollar notes	18	–	(26,937)	(26,985)
Other loans and payables		(5,938)	(7,293)	(7,293)
Total current liabilities		(59,919)	(97,938)	(111,658)
Non-current liabilities				
Trade and other payables		(1,681)	(14,436)	(1,489)
Bank loans	17	(113,790)	(96,463)	(119,871)
Sterling notes		(38,279)	(43,444)	(42,533)
Dollar notes	18	(26,882)	–	–
Deferred tax liabilities		(43,391)	(39,774)	(45,504)
Other loans and payables		(27,954)	(29,358)	(24,002)
Total non-current liabilities		(251,977)	(223,475)	(233,399)
Total liabilities		**(311,896)**	**(321,413)**	**(345,057)**
Net assets		**255,142**	**244,885**	**246,394**
Equity				
Share capital		133,590	133,586	133,586
Share premium account		47,374	47,358	47,358
Translation reserve		(25,101)	(24,790)	(25,101)
Retained earnings*		77,605	69,318	69,721
		233,468	225,472	225,564
Non-controlling interests*		21,674	19,413	20,830
Total equity		**255,142**	**244,885**	**246,394**

* June 2021 restated in line with note 37 to the consolidated financial statements in the 2021 Annual Report

Consolidated statement of changes in equity

for the six months ended 30 June 2022

	Share capital $'000	Share premium $'000	Translation reserve $'000	Retained earnings* $'000	Subtotal $'000	Non-controlling interests* $'000	Total equity $'000
At 1 January 2021	133,586	47,358	(25,833)	71,680	226,791	19,025	245,816
Profit for the period	–	–	–	2,136	2,136	927	3,063
Other comprehensive income for the period	–	–	1,043	4	1,047	(539)	508
Dividends to preference shareholders	–	–	–	(4,502)	(4,502)	–	(4,502)
At 30 June 2021	133,586	47,358	(24,790)	69,318	225,472	19,413	244,885
Profit for the period	–	–	–	5,190	5,190	1,008	6,198
Other comprehensive income for the period	–	–	(311)	498	187	409	596
Dividends to preference shareholders	–	–	–	(5,285)	(5,285)	–	(5,285)
At 31 December 2021	133,586	47,358	(25,101)	69,721	225,564	20,830	246,394
Profit for the period	–	–	–	11,854	11,854	2,344	14,198
Redemption of warrants	4	16	–	–	20	–	20
Dividends to preference shareholders	–	–	–	(3,970)	(3,970)	–	(3,970)
Dividends to non-controlling interests	–	–	–	–	–	(1,500)	(1,500)
At 30 June 2022	**133,590**	**47,374**	**(25,101)**	**77,605**	**233,468**	**21,674**	**255,142**

* June 2021 restated in line with note 37 to the consolidated financial statements in the 2021 Annual Report

Consolidated cash flow statement

for the six months ended 30 June 2022

	Note	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Net cash (used in) / from operating activities	20	**(16,286)**	**15,889**	**36,920**
Investing activities				
Interest received		954	270	1,483
Proceeds on disposal of property, plant and equipment		653	–	2,544
Purchases of property, plant and equipment		(5,053)	(3,618)	(13,456)
Expenditure on land		(488)	(63)	(3,754)
Repayment from stone and coal interests		11,658	4,439	2,441
Net cash from / (used in) investing activities		7,724	1,028	(10,742)
Financing activities				
Preference dividends paid	8	(3,970)	(4,502)	(9,787)
Dividend to non-controlling interests		(1,500)	–	–
Repayment of bank borrowings		(11,292)	(76,828)	(110,210)
New bank borrowings drawn		8,225	82,781	137,255
Repayment of borrowings from related party		–	–	(4,068)
Repayment of borrowings from non-controlling shareholder		–	–	(900)
Costs of extending repayment date of dollar notes		(153)	–	–
Purchase of dollar notes	15	(8,570)	–	–
Proceeds of issue of ordinary shares	19	20	–	–
Repayment of lease liabilities		(930)	(1,100)	(2,617)
Net cash (used in) / from financing activities		(18,170)	351	9,673
Cash and cash equivalents				
Net (decrease) / increase in cash and cash equivalents		(26,732)	17,268	35,851
Cash and cash equivalents at beginning of period		46,892	11,805	11,805
Effect of exchange rate changes		(1,151)	(278)	(764)
Cash and cash equivalents at end of period		**19,009**	**28,795**	**46,892**

Notes to the condensed consolidated financial statements

1. Basis of accounting

The condensed consolidated financial statements for the six months ended 30 June 2022 comprise the unaudited financial statements for the six months ended 30 June 2022 and 30 June 2021, neither of which has been reviewed by the company's auditor, together with audited financial information for the year ended 31 December 2021.

The information shown for the year ended 31 December 2021 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, and is an abridged version of R.E.A. Holdings plc's (the "group") 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 UK adopted International Financial Reporting Standards ("IFRS"). The condensed consolidated financial statements included in this half yearly report have been prepared in accordance with UK 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 2022 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 2022 are the same as those set out in the group's annual report for 2021.

The condensed consolidated financial statements for the six months ended 30 June 2022 were approved by the board of directors on 21 September 2022.

2. Revenue

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Sales of goods	107,494	87,021	190,565
Revenue from management services	818	646	1,348
Revenue from stone and coal services	310	–	–
	108,622	87,667	191,913
Investment revenue	4,192	270	1,483

Investment revenue includes $3.9 million in respect of the group's stone and coal interests (note 14) being: the reversal of a $3.2 million provision relating to prior year interest payable by one of the company's coal interests which is now generating revenue; and $1.4 million interest receivable in respect of 2022, net of a provision of $0.7 million in respect of the stone and coal interests not yet generating revenue (31 December 2021: interest receivable of $2.6 million net of a provision of $1.5 million, 30 June 2021 interest receivable of $1.3 million net of a provision of $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 2022 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 inventory movement

The net loss / gain 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. Profit before tax

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Administrative expenses			
Loss / (profit) on disposal non-current assets	124	–	(123)
Indonesian operations	7,459	7,232	11,307
Head office	1,939	1,826	2,575
	9,522	9,058	13,759
Amount included as additions to property, plant and equipment	(85)	(681)	(325)
	9,437	8,377	13,434
Earnings before interest, tax, depreciation and amortisation			
Operating profit	17,402	13,578	48,083
Depreciation and amortisation	13,823	14,092	27,724
	31,225	27,670	75,807

6. Finance costs

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Interest on bank loans and overdrafts	5,747	5,563	11,338
Interest on dollar notes	1,014	1,014	2,028
Interest on sterling notes	1,636	1,865	3,687
Interest on other loans	368	563	734
Interest on lease liabilities	73	134	214
Change in value of sterling notes arising from exchange fluctuations	(4,375)	544	(556)
Change in value of loans arising from exchange fluctuations	(2,865)	(3,752)	(611)
Other finance charges	866	288	3,568
	2,464	6,219	20,403
Amount included as additions to property, plant and equipment	(52)	(19)	(35)
	2,412	6,200	20,368

7. Tax

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Current tax:			
UK corporation tax	–	–	–
Overseas withholding tax	1,155	341	739
Foreign tax	4,634	163	5,326
Foreign tax – prior year	68	983	2,950
Total current tax	5,857	1,487	9,015
Deferred tax:			
Current year	156	3,098	11,347
Prior year	(1,029)	–	(425)
Total deferred tax	(873)	3,098	10,922
Total tax	4,984	4,585	19,937

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 (2021: 22 per cent) and for the UK, the taxation provision reflects a corporation tax rate of 19 per cent (2021: 19 per cent) and a deferred tax rate of 25 per cent (2021: 25 per cent).

8. Dividends

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Amounts recognised as distributions to equity holders:			
Dividends on 9 per cent cumulative preference shares	3,970	4,502	9,787

The fixed semi-annual dividend on the company's preference shares that fell due on 30 June 2022 was duly paid.

The directors have previously stated their intention to pay not less than 10p of the cumulative arrears of preference dividend (which currently amount to 17p per share) on or before 31 December 2022 and the balance of those arrears during 2023. The recent series of changes in Indonesian tariffs and restrictions applicable to exports of CPO have meant that the prices achieved in recent months on sale of the group's CPO have fallen short of the levels anticipated earlier in the year. As a result, the directors now expect that, in the absence of any unforeseen further adverse circumstances, the payment of arrears of dividend during 2022 will be limited to 10p per share and that this will be paid on 31 December 2022, together with the semi-annual preference dividend of 4.5p per share arising on that date. It remains the directors' intention to pay the outstanding balance of the arrears of preference dividend in 2023.

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. Profit / (loss) per share

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Profit attributable to equity shareholders	11,854	2,136	7,326
Preference dividends paid relating to current year	(3,970)	(4,502)	(8,826)
Profit / (loss) for the purpose of calculating profit / (loss) per share*	7,884	(2,366)	(1,500)

* Being net profit attributable to ordinary shareholders

	'000	'000	'000
Weighted average number of ordinary shares for the purpose of:			
Basic profit / (loss) per share	43,955	43,951	43,951
Diluted profit / (loss) per share	47,953	43,951	43,951

The warrants (see note 19) were non-dilutive in 2021 as the average share price was below the exercise price.

10. Intangible assets: development expenditure

	30 June 2022 $'000	30 June 2021 $'000	31 December 2021 $'000
Beginning of period	5,453	5,438	5,438
Additions	–	–	15
End of period	5,453	5,438	5,453
Amortisation:			
Beginning of period	5,092	4,340	4,340
Charge for period	27	523	752
End of period	5,119	4,863	5,092
Carrying amount:			
End of period	334	575	361
Beginning of period	361	1,098	1,098

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 2021	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
Additions	143	217	6,950	7,727	15,037
Reclassifications and adjustments	(36)	478	952	(1,450)	(56)
Disposals – property, plant and equipment	(588)	(1,184)	(6,850)	(338)	(8,960)
At 31 December 2021	175,287	250,408	125,454	15,433	566,582
Additions	820	852	3,020	361	5,053
Reclassifications and adjustments	–	336	499	(835)	–
Disposals – property, plant and equipment	(480)	(729)	(198)	–	(1,407)
At 30 June 2022	175,627	250,867	128,775	14,959	570,228
Accumulated depreciation:					
At 1 January 2021	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
Charge for period	5,085	3,684	4,634	–	13,403
Reclassifications and adjustments	1	(41)	(7)	–	(47)
Disposals – property, plant and equipment	(185)	(213)	(6,190)	–	(6,588)
At 31 December 2021	66,000	59,606	75,178	–	200,784
Charge for period	5,417	3,732	4,647	–	13,796
Disposals – property, plant and equipment	(453)	(88)	(107)	–	(648)
At 30 June 2022	70,964	63,250	79,718	–	213,932
Carrying amount:					
At 30 June 2022	104,663	187,617	49,057	14,959	356,296
At 31 December 2021	109,287	190,802	50,276	15,433	365,798
At 30 June 2021	114,669	194,721	47,661	9,494	366,545

12. Land

	30 June 2022 $'000	30 June 2021 $'000	31 December 2021 $'000
Cost:			
Beginning of period	47,962	44,201	44,201
Additions	488	63	3,754
Disposals	(18)	–	–
Reclassifications and adjustments	–	–	7
End of period	48,432	44,264	47,962
Accumulated amortisation:			
Beginning and end of period	4,322	4,322	4,322
Carrying amount:			
End of period	44,110	39,942	43,640
Beginning of period	43,640	39,879	39,879

13. Contractual commitments

At the balance sheet date, the group had entered into contractual commitments for the acquisition of property, plant and equipment of $11.5 million and fertiliser of $3.4 million (31 December 2021: property, plant and equipment of $7.3 million, 30 June 2021: property, plant and equipment of $4.0 million)

14. Financial assets: stone and coal interests

	30 June 2022 $'000	30 June 2021 $'000	31 December 2021 $'000
Stone interest	28,807	24,266	25,622
Coal interests	20,431	31,843	32,035
Provision against loan to coal interests	(2,550)	(3,000)	(2,550)
	46,688	53,109	55,107

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.

Included within the stone and coal interest balances is cumulative interest receivable of $10.5 million net of a provision of $7.2 million (31 December 2021: $10.5 million cumulative interest receivable and provision, 30 June 2021: $10.1 million cumulative interest and 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. A provision of $3.2 million in respect of the coal company which is generating revenue has been reversed in the period and is included within Investment revenue in the consolidated income statement.

15. Investments (dollar notes held in treasury)

	30 June 2022 $'000	30 June 2021 $'000	31 December 2021 $'000
R.E.A. Holdings plc 7.5 per cent dollar notes 2026	8,570	–	–

The proposal announced by the company on 8 February 2022 to extend the redemption date for the dollar notes from 30 June 2022 to 30 June 2026 was approved by noteholders and became effective on 3 March 2022. Any noteholder who wished to realise their holding of dollar notes by the previous redemption date of 30 June 2022 was offered an opportunity so to do (the "sale facility").

Holders of $14.8 million nominal of the $27.0 million dollar notes elected to take advantage of the sale facility. $6.0 million nominal of such dollar notes were resold and REAS (a wholly owned subsidiary of the company) acquired the unsold balance of $8.8 million nominal of dollar notes. $248,000 nominal of such notes were then resold at par for settlement on 30 June 2022. Accordingly, the total net amount of dollar notes purchased from divesting noteholders and currently held by REAS is $8.6 million. REAS intends to resell, over time, the dollar notes acquired by it.

The company has designated the above holdings as available-for-sale investments carried at cost. The investments are quoted on the London Stock Exchange.

16. 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 date. Cash and deposits, investments, 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 2022 (2021: none).

	30 June 2022 Book value $'000	30 June 2022 Fair value $'000	30 June 2021 Book value $'000	30 June 2021 Fair value $'000	31 December 2021 Book value $'000	31 December 2021 Fair value $'000
Cash and deposits*	19,009	19,009	28,795	28,795	46,892	46,892
Investments (dollar notes held in treasury)**	8,570	8,570	–	–	–	–
Bank debt within one year**	(16,400)	(16,400)	(16,214)	(16,214)	(16,955)	(16,955)
Bank debt after more than one year**	(113,790)	(113,790)	(96,463)	(96,463)	(119,871)	(119,871)
Loan from non-controlling shareholder within one year**	(1,858)	(1,858)	(6,025)	(6,025)	(5,575)	(5,575)
Loan from non-controlling shareholder after more than one year**	(3,717)	(3,717)	–	–	–	–
Loan from non-controlling shareholder after more than one year*	(10,641)	(10,641)	(11,091)	(11,091)	(10,641)	(10,641)
Loan from related party within one year – sterling**	–	–	(2,694)	(2,694)	–	–
Loan from related party within one year – dollar*	–	–	(1,370)	(1,370)	–	–
Dollar notes within one year – repayable 2022**	–	–	–	–	(26,985)	(26,630)
Dollar notes within one year – repayable 2022**	–	–	(26,937)	(26,224)	–	–
Dollar notes within one year – repayable 2026**	(26,882)	(27,035)	–	–	–	–
Sterling notes after one year – repayable 2025**	(38,279)	(37,770)	(43,444)	(42,637)	(42,533)	(41,647)
Net debt	(183,988)	(183,632)	(175,443)	(173,923)	(175,668)	(174,427)

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

16. Fair values of financial instruments – continued

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 investments, dollar notes and sterling notes are based on the latest prices at which those notes were traded prior to the balance sheet dates.

17. Bank loans

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Bank loans	130,190	112,677	136,826

The bank loans are repayable as follows:			
On demand or within one year	16,400	16,214	16,955
Between one and two years	14,518	17,100	14,393
Between two and five years	55,219	46,824	51,999
After five years	44,053	32,539	53,479
	130,190	112,677	136,826
Amount due for settlement within 12 months	16,400	16,214	16,955
Amount due for settlement after 12 months	113,790	96,463	119,871
	130,190	112,677	136,826

All bank loans are denominated in rupiah and are net of unamortised expenses of $5.9 million (31 December 2021: $6.8 million, 30 June 2021: $4.4 million) and are at fixed rates. The weighted average interest rate in 2022 was 8.5 per cent (2021: 10.0 per cent). The bank loans are secured on certain land titles, property, plant and equipment, biological assets and cash assets held by REA Kaltim, KMS and SYB and are the subject of an unsecured guarantee by the company. The banks are entitled to have recourse to their security on usual banking terms.

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 rupiah denominated facilities of nil (31 December 2021: $3.2 million, 30 June 2021: nil).

18. Dollar notes

	30 June 2022 $'000	30 June 2021 $'000	31 December 2021 $'000
Dollar notes	26,882	26,937	26,985

The dollar notes comprise $27.0 million nominal of 7.5 per cent dollar notes 2026 (31 December and 30 June 2021: $27.0 million nominal 7.5 percent dollar notes 2022) 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 the dollar notes held by such holder. In conjunction with the proposal to extend the redemption date for the dollar notes, the company put in place arrangements whereunder any noteholder who wished to realise their holding of dollar notes by the previous redemption date of 30 June 2022 was offered an opportunity so to do (the "sale facility").

Holders of $14.8 million nominal of the $27.0 million dollar notes elected to take advantage of the sale facility. $6.0 million nominal of such dollar notes were resold and REAS acquired the unsold balance of $8.8 million nominal of dollar notes. $248,000 nominal of such notes were then resold at par for settlement on 30 June 2022. Accordingly, the total net amount of dollar notes purchased from divesting noteholders and currently held by REAS is $8.6 million (see note 15).

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

19. Share capital

On 22 April 2022, following receipt of a notice of exercise of warrants to subscribe ordinary shares in the capital of the company, the company issued and allotted 13,000 new ordinary shares with a nominal value of 25p each ("new ordinary shares") at the subscription price of £1.26 per share.

As a result of the issue of the new ordinary shares, the issued share capital comprises 43,963,529 ordinary shares of 25p each (of which 132,500 are currently held as treasury shares) and 72,000,000 9 per cent cumulative preference shares of £1 each. Shares held by the company in treasury do not carry voting rights. Warrants to subscribe 3,997,760 ordinary shares of 25p each at a price of £1.26 per share remain outstanding and are exercisable until 15 July 2025.

20. Reconciliation of operating profit to operating cash flows

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Operating profit	17,402	13,578	48,083
Amortisation of intangible assets	27	523	752
Depreciation of property, plant and equipment	13,796	13,569	26,972
Decrease / (increase) in fair value of agricultural produce inventory	3,513	3,279	(2,661)
Decrease / (increase) in value of growing produce	1,414	580	(1,201)
Loss / (profit) on disposal of property, plant and equipment	124	–	(123)
Operating cash flows before movements in working capital	36,276	31,529	71,822
(Increase) / decrease in inventories (excluding fair value movements)	(11,039)	(2,475)	821
(Increase) /decrease in receivables	(10,888)	5,626	7,312
Decrease in payables	(16,483)	(6,016)	(15,537)
Exchange translation differences	(542)	523	(383)
Cash (used in) / from operations	(2,676)	29,187	64,035
Taxes paid	(5,124)	(4,026)	(7,560)
Interest paid *	(8,486)	(9,272)	(19,555)
Net cash (used in) / from operating activities	(16,286)	15,889	36,920

* Of which $73,000 is in respect of lease liabilities (31 December 2021: $214,000, 30 June 2021: $134,000)

21. Movements in net borrowings

	6 months to 30 June 2022 $'000	6 months to 30 June 2021 $'000	Year to 31 December 2021 $'000
Change in net borrowings resulting from cash flows:			
(Decrease) / increase in cash and cash equivalents, after exchange rate effects	(27,883)	16,990	35,087
Net decrease / (increase) in bank borrowings	3,067	(5,953)	(27,045)
Decrease in borrowings from non-controlling shareholder	–	–	900
Net decrease in related party borrowings	–	–	4,068
	(24,816)	11,037	13,010
Issue of dollar notes	153	–	–
Purchase of dollar notes	8,570	–	–
Amortisation of sterling note issue expenses and premium	(121)	(91)	(181)
Amortisation of dollar note issue expenses	(50)	(46)	(94)
Amortisation of bank loan expenses	(922)	(98)	(1,490)
Transfer from current assets – unamortised bank loan expenses	–	953	–
	(17,186)	11,755	11,245
Currency translation differences	8,866	2,153	2,438
Net borrowings at beginning of period	(175,668)	(189,351)	(189,351)
Net borrowings at end of period	(183,988)	(175,443)	(175,668)

22. Related party transactions

During the period, R.E.A. Trading plc ("REAT"), a related party, made an unsecured loan 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. The maximum amount loaned was $0.5 million (2021: $4.1 million). Total interest paid during the period was $29,000 (2021: $257,000). This disclosure is also made in compliance with the requirements of Listing Rule 9.8.4(10).

23. Rates of exchange

	30 June 2022		30 June 2021		31 December 2021	
	Closing	Average	Closing	Average	Closing	Average
Indonesian rupiah to US dollar	14,848	14,485	14,496	14,323	14,269	14,345
US dollar to pounds sterling	1.2121	1.2860	1.3820	1.3900	1.3499	1.3754

24. 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.

25. Cautionary statement

This document contains certain forward-looking statements relating to the REA 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.

This report has been managed by Perivan Financial Limited. (263175)

Using an environmental management system that complies with ISO 14001. With the internationally recognised ISO 14001 certification and are also FSC® certified.

100% of the inks used are vegetable oil based, 95% of the press chemicals are recycled for further use and, on average 100% of any waste associated with this production will be recycled.

This publication has been printed by a CarbonNeutral® Company on Revive Silk 100, made from FSC® Recycled certified post-consumer waste pulp from responsible sources. This ensures that there is an audited chain of custody from the tree in the well-managed forest through to the finished document in the printing factory. The paper is Carbon Balanced with the World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

100%

FSC®

www.fsc.org

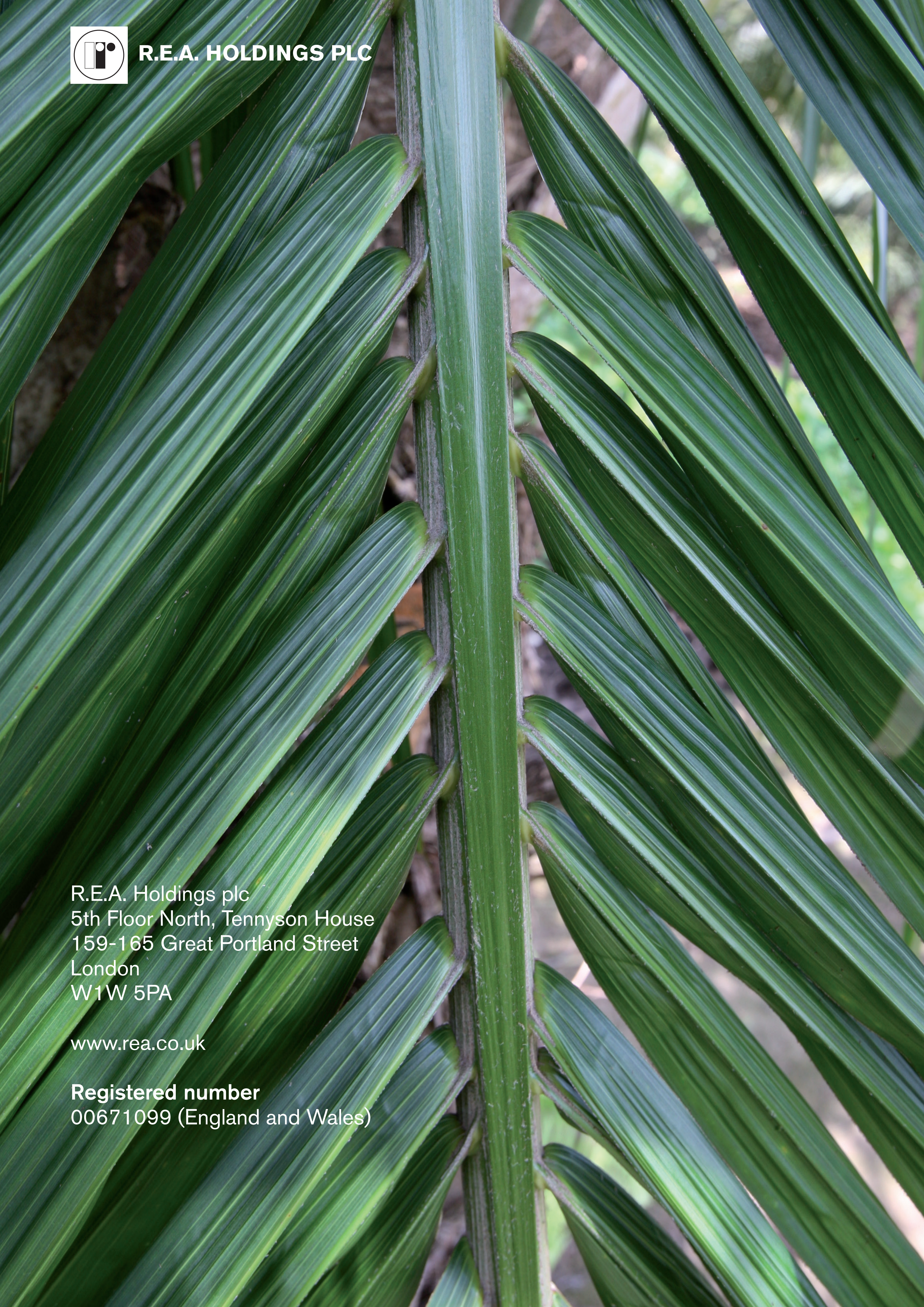
RECYCLED

Paper made from recycled material

FSC® C022913

WORLD LAND TRUST™

www.carbonbalancedpaper.com



R.E.A. HOLDINGS PLC

R.E.A. Holdings plc
5th Floor North, Tennyson House
159-165 Great Portland Street
London
W1W 5PA

www.rea.co.uk

Registered number
00671099 (England and Wales)