Annual Accounts for the year ended December 31, 2018

Amstelveenseweg 760 1081 JK Amsterdam The Netherlands Chamber of Commerce: 34259527 Voor identificatiedoeleinden behorend bij controleverklaring afgegeven door accon aym controlepraktijk B.V. d.d.

2 9 APR 2019

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adviseurs en accountants

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Report of the management

Management herewith presents to the shareholder the audited accounts of REA Finance B.V. (hereinafter "the Company") for the year 2018.

General

The Company is a private company with limited liability incorporated under the laws of the Netherlands and acts as a finance company. The ultimate holding company is R.E.A. Holdings plc (hereinafter "REAH"), London, United Kingdom. The REAH group is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production of crude palm oil ("CPO") and by-products from fruit harvested from its oil palms.

Overview of activities

At 1 January 2018 the Company had outstanding £31,852,000 8.75 per cent guaranteed sterling notes 2020 (the "2020 sterling notes").

At 1 January 2018 the Company also had a loan receivable from REAH (the "Loan") of £32,327,000 bearing interest at 8.9283 per cent and repayable on 20 August 2020.

During the period under review the Company received interest on the Loan from the Company to REAH and paid interest to the note holders of the 2020 sterling notes.

On 5 October 2018 REAH purchased for cancellation £1,000,000 of the 2020 sterling notes reducing the Loan by that amount.

At 31 December 2018 the Company had outstanding £30,852,000 2020 sterling notes and the Loan of £31,327,000 to REAH bearing interest at 8.9283 per cent. The 2020 sterling notes and the Loan are repayable on 20 August 2020.

Results

The net asset value of the Company as at 31 December 2018 amounts to £964,105 (31 December 2017: £920,150). The result for 2018 is a profit of £43,955 (2017: profit of £56,530).

Going concern

Finance section of the Strategic report

In the Finance section of the Strategic Report included in the 2018 Annual Report of REAH the directors have made the following statement regarding future viability:

"Liquidity and financing adequacy

Although the group reported an increased operational loss in 2018 (\$10.7 million against \$2.2 million in the preceding year), operational performance was much improved year on year with a 51 per cent increase in FFB production. Accordingly, the loss principally reflected the serious down turn in the CPO market in the second half of the year although, as noted under "Group results" above, estate operating costs were to an extent inflated by temporary additional workers undertaking remedial upkeep and unusually high despatch costs.

In both 2018 and 2017, the group had to contend with a level of financing charges disproportionate to the profitability of the group, a problem that would be resolved by higher CPO prices. The net prices being realised by the group for sales of its CPO (net, FOB East Kalimantan port) have already recovered from a low of \$349 per tonne in November 2018 to an estimated level of \$475 per tonne in April 2019. Further recovery is widely predicted with vegetable oil consumption exceeding supply and stocks of CPO beginning to fall. With the Indonesian export levy now reduced to nil at prices below \$575 per tonne (CIF Rotterdam) and increasing only to the level of \$20 tonne at higher prices, the group can expect that increased CPO prices will materially increase group revenues and result in the group becoming increasingly cash generative and better able to sustain its financing costs.

Voor identificatiedoeleinden behorend bij controleverklaring
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limited further revenue expenditure on upgrading mill maintenance will be required, on the estates remedial works are now substantially complete so that the projected increase in crop should not entail a proportionate increase in operating costs. Indeed, with operational performance now converging with group expectations, the group believes that cost savings can now be found in several areas.

In order to ensure availability of sufficient mill capacity to meet projected increases in FFB mill throughput, the group is proceeding in 2019 with the extension of its newest oil mill and some works to enhance the efficiency of the two older mills. However, following the sale of PBJ, no further mills will be required for the foreseeable future. Moreover, until CPO prices recover further, the group's extension planting programme has been deferred. As a result, future levels of annual capital expenditure can be expected to be significantly lower than those of recent years. This should mean that as cash flows recover, increased cash generation can be used to reduce debt levels. Planned resumption of mining at the Kota Bangun coal concession should provide an additional source of cash through the repayment of the loan due to the group.

The group had hoped that in reorganising its local bank borrowings it would be possible to convert Indonesian rupiah borrowings to dollar borrowings which attract a lower rate of interest than rupiah borrowings. In the event, this did not prove immediately possible but the group's bankers have acknowledged that the group wishes to replace rupiah borrowings with dollar borrowings and have indicated that they are open to agreeing to this provided that the group can demonstrate that the dollar can properly be regarded as the group's functional currency for the purposes of Bank Indonesia rules. Discussions to this end are continuing.

As noted under "Capital structure" above, as at 31 December 2018, the group held cash of \$26.3 million but against that had material indebtedness, in the form of bank loans and listed notes. Some \$9.1 million of bank term indebtedness falls due for repayment during 2019 and a further \$52.3 million in 2020 to 2022. In August 2020, £31.9 million (\$40.2 million) of 2020 sterling notes will become repayable and in December 2022, \$24 million of 2022 dollar notes.

The group is at an advanced stage in discussions with its Indonesian bankers for a new term loan of \$11 million to fund the planned capital expenditure on mills in 2019. This loan would, in effect, refinance the bank loan repayments falling due in 2019. Provided that CPO prices continue to recover, the group believes future Indonesian term loan repayments can be aligned with the group's cash generation capabilities.

Consideration will be given later in 2019 to submission of proposals to the holders of the 2020 sterling notes to refinance these with securities of longer tenor. A decision regarding the 2022 dollar notes will be taken in early 2022 in the light of the group's financial position at that time.

The group recognises that it may need to seek additional equity funding if CPO prices recover at a slower rate than it expects.

The group's oil palms fruit continuously throughout the year and there is therefore no material seasonality in the funding requirements of the agricultural operations in their ordinary course of business. It is not expected that development of the stone and coal operations will cause any material swings in the group's utilisation of cash for the funding of its routine activities."

Conclusion

Based on the foregoing, having made due enquiries, the directors reasonably expect that the company and the group have adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements, and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Accordingly, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the period to 31 December 2022 and to remain viable during that period.

Voor identificatiedoeleinden behorend bij controleverklaring afgegeven door accon avm controlepraktijk B.V. d.d.



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 2020 sterling notes. The exposure of the Company 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 note holders; and
- the Limited Recourse Agreement dated 29 November 2010 and made between the Company, REAH and REAS (the "LRA").

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. In relation to point (i) above, the Company's capital and reserves as at 31 December 2018 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 against the Company in respect of any calls upon their guarantee of the 2020 sterling notes.

Risks and uncertainties with respect to the group's operations are low. All of the group's operations are located in Indonesia and the group is therefore significantly dependent on economic and political conditions in Indonesia. In the recent past Indonesia has been stable and the Indonesian economy has continued to grow. In addition the group has never been adversely affected by political unrest. The introduction of exchange controls or other restrictions on foreign owned operations in Indonesia could lead to restrictions on the transfer of profits from Indonesia to the UK with potential negative implications for the servicing of the obligations in relation to the sterling notes but the group is not aware that there are any plans for this under current political conditions. Mandatory reduction of foreign ownership of Indonesian plantation operations could lead to forced divestment of interests in Indonesia. However, while the group accepts there is a significant possibility that foreign owners may be required over time to partially divest ownership of Indonesian oil palm operations, it has no reason to believe that such divestment would be at anything other than market value.

Risk management objectives

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

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

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

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

Employees

During 2018, the Company did not employ personnel nor in the previous years.

Research and development

The Company does not perform any research and development.

Audit Committee

In August 2008 the Dutch Act on the Supervision of Accounting Firms (Wet Toezicht Accountantsorganisaties) ("ASAF") was amended. This resulted in a wider definition of a public interest entity (Organisaties) ("PIE"). All Dutch entities which have issued listed debt are now considered to Werpy Extention of a public interest entity (Organisaties) ("PIE"). All Dutch entities which have issued listed debt are now considered to Werpy Extention of the August 8, 2008, an implementing regulation (algemene maatregel van bestuur) ("IR") came into force in the

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Netherlands, enacting Article 41 of European Directive no. 2006/43/EG (the "ED"), regarding legislative supervision of annual reports and consolidated financial statements. This IR obliges all PIEs to establish an audit committee ("AC").

The AC is formed by members of the Company's supervisory board ("SB") or by non-executive management board members. Because the Company falls within the definition of a PIE it is in principle obliged to establish an AC. Although the ED provides certain exemptions for establishing an AC for securitisation vehicles ("SVs"), under the IR the Company is not considered to be a SV and therefore can not make use of the exemption to install an AC.

In the light of extensive research and discussions between, amongst others, the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten) and several legal advisors and audit firms, there are certain matters to be considered with respect to the requirement to establish an AC:

- The activities of the Company and those of a SV are very similar;
- Under the ED the Company qualifies as a SV and would thus be exempted from the obligation to establish an AC;
- The Company does not have a SB or non-executive members of the board. The establishment of a SB would require an amendment to the Company's Articles of Association;
- It remains unclear why the IR contains a more stringent definition of a SV than the ED.

The general view in the Netherlands is that it could not have been the legislators' intention for financing vehicles, such as the Company, not to fall within the description of a SV and thus not be exempted. In view of the above reasons, management currently does not consider it to be in the Company's best interest, nor has it taken steps, to implement an AC.

Future outlook

Management is of the opinion that the present level of activities will be maintained during the next financial year. Management expects that the average number of employees will not change during the next financial year.

Management representation statement

Management declares that, to the best of its knowledge, the annual accounts prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that the Report of the management includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties it faces.

Amsterdam, April 29, 2019

Corfas B.V.

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Financial Statements

Balance sheet as at 31 December 2018 (After appropriation of results)

	Notes	2018 £	2017 £
Fixed assets		<u></u>	-
Financial fixed assets			
 Loan to parent company 	1	31,327,000	32,327,000
Total fixed assets		31,327,000	32,327,000
Current assets			
Receivables		410.165	440.006
Receivable from parent company	2	418,167	448,836
Taxation receivable	3	11,856	7,014
Cash and cash equivalents	4	87,935	15,038
Total current assets		517,958	470,888
Current liabilities			
Creditors		471	-
Taxation payable	5	300	1,417
Accruals	6	28,082	24,321
Total current liabilities		28,853	25,738
Current assets less current liabilities		489,105	445,150
Total assets less current liabilities		31,816,105	32,772,150
Long term liabilities			
2020 sterling notes	7	30,852,000	31,852,000
Total long term liabilities		30,852,000	31,852,000
Shareholder's equity	8		
Paid-up and called-up share capital		16,210	15,025
Share premium		475,000	475,000
Translation reserve		(3,986)	(2,801)
Other reserves		476,881	432,926
		964,105	920,150
Total long term liabilities and shareholder's equity		31,816,105	32,772,150

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

Voor identificatiedoeleinden behorend bij controleverklaring afgegeven door accon avm controlepraktijk B.V. d.d.



Profit and loss account for the year ended 31 December 2018

	Notes	2018 £	2017 £
Operating expenses			
General and administrative expenses	9	(67,617)	(73,915)
Operating result		(67,617)	(73,915)
Financial income and expenditure			
Interest income on loan to parent company	10	2,865,144	3,898,019
Interest expense on loan from parent company	11		(202,850)
Other income	12	23,765	32,180
Interest expense sterling notes	13	(2,766,364)	(3,572,745)
Currency translation results	14	16_	(12,043)
Total financial income and expenditure		122,561	142,561
Result before taxation		54,944	68,646
Corporate income tax	15	(10,989)	(12,116)
Net result		43,955	56,530

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

Voor identificatiedoeleinden behorend bij controleverklaring afgegeven door accon aym controlepraktijk B.V. d.d.



Notes to the annual accounts for the year 2018

General

The Company was incorporated as a private company with limited liability under the laws of the Netherlands on 7 November 2006 and has its statutory seat in Amsterdam, The Netherlands. The ultimate holding company is R.E.A. Holdings plc in London, United Kingdom. The principal activity of the Company is to act as a finance company, and its place of business is at Amstelveenseweg 760, 1081 JK Amsterdam, The Netherlands. The functional currency of the Company is GBP, which is also the presentation currency of the accounts.

Basis of presentation

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

a) Foreign currencies

Assets and liabilities in foreign currencies are converted into pounds sterling at the exchange rates prevailing on the balance sheet date. Transactions in foreign currencies are translated into pounds sterling at the exchange rates in effect at the time of the transactions. The resulting exchange rate differences are taken to the profit and loss account, with the exception of the share capital which is included in Capital and reserves under Translation reserve.

Th	e exchange rates used in the annual accounts are:	31.12.18	31.12.17
1	GBP (pound sterling) = EUR	1.11	1.20

b) Loan to parent company and 2020 sterling notes

The loan to parent company and 2020 sterling notes are stated at amortized cost, less an allowance for any possible uncollectible amounts.

c) Other assets and liabilities

Other assets and liabilities are at amortized cost, less an allowance for any possible uncollectible amounts.

d) Recognition of income

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

e) Corporate income tax

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

Going Concern

Finance section of the Strategic Report

In the Finance section of the Strategic Report included in the 2018 Annual Report of REAH the directors have made the following statement regarding future viability:

"Liquidity and financing adequacy

Although the group reported an increased operational loss in 2018 (\$10.7 million against \$2.2 million in the preceding year), operational performance was much improved year on year with a 51 per cent increase in FFB production. Accordingly, the loss principally reflected the serious down turn in the CPO market in the second half of the year although, as noted under "Group results" above, estate operating costs were to an extent inflated by temporary additional workers undertaking remedial upkeep and unusually high despatch costs.

In both 2018 and 2017, the group had to contend with a level of financing charges disproportionate to the profitability of the group, a problem that would be resolved by higher CPO prices. The net prices being realised hij controlleverklaring by the group for sales of its CPO (net, FOB East Kalimantan port) have already recovered from a low of \$349 per tonne in November 2018 to an estimated level of \$475 per tonne in April 2019. Further recovery is widely.

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Cash generation will be assisted by further increases in FFB production. Crop collection for 2019 is running ahead of budget and bunch census figures (through to July) indicate that FFB production will continue to run in line with budget and support the projection of FFB production of some 900,000 tonnes for 2019. Although some limited further revenue expenditure on upgrading mill maintenance will be required, on the estates remedial works are now substantially complete so that the projected increase in crop should not entail a proportionate increase in operating costs. Indeed, with operational performance now converging with group expectations, the group believes that cost savings can now be found in several areas.

In order to ensure availability of sufficient mill capacity to meet projected increases in FFB mill throughput, the group is proceeding in 2019 with the extension of its newest oil mill and some works to enhance the efficiency of the two older mills. However, following the sale of PBJ, no further mills will be required for the foreseeable future. Moreover, until CPO prices recover further, the group's extension planting programme has been deferred. As a result, future levels of annual capital expenditure can be expected to be significantly lower than those of recent years. This should mean that as cash flows recover, increased cash generation can be used to reduce debt levels. Planned resumption of mining at the Kota Bangun coal concession should provide an additional source of cash through the repayment of the loan due to the group.

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As noted under "Capital structure" above, as at 31 December 2018, the group held cash of \$26.3 million but against that had material indebtedness, in the form of bank loans and listed notes. Some \$9.1 million of bank term indebtedness falls due for repayment during 2019 and a further \$52.3 million in 2020 to 2022. In August 2020, £31.9 million (\$40.2 million) of 2020 sterling notes will become repayable and in December 2022, \$24 million of 2022 dollar notes.

The group is at an advanced stage in discussions with its Indonesian bankers for a new term loan of \$11 million to fund the planned capital expenditure on mills in 2019. This loan would, in effect, refinance the bank loan repayments falling due in 2019. Provided that CPO prices continue to recover, the group believes future Indonesian term loan repayments can be aligned with the group's cash generation capabilities.

Consideration will be given later in 2019 to submission of proposals to the holders of the 2020 sterling notes to refinance these with securities of longer tenor. A decision regarding the 2022 dollar notes will be taken in early 2022 in the light of the group's financial position at that time.

The group recognises that it may need to seek additional equity funding if CPO prices recover at a slower rate than it expects.

The group's oil palms fruit continuously throughout the year and there is therefore no material seasonality in the funding requirements of the agricultural operations in their ordinary course of business. It is not expected that development of the stone and coal operations will cause any material swings in the group's utilisation of cash for the funding of its routine activities."

Conclusion

Based on the foregoing, having made due enquiries, the directors reasonably expect that the company and the group have adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements, and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the performance of th



Cash flow statement

The annual accounts for 2018 of the Company's ultimate holding company (REAH) include a consolidated cash flow statement for the group as a whole. Accordingly, the Company has elected to use the exemption provided under RJ 360.104 and does not present its own cash flow statement. The annual report of REAH can be obtained from the website www.rea.co.uk

Related party transactions

All transactions with the shareholder (REAH) are related party transactions and are performed at arm's length.

Notes to the specific items of the balance sheet

1. Fixed Assets - Loan to parent company

REAH, the Company's parent company, is a company incorporated in the United Kingdom whose share capital is listed on the London Stock Exchange.

The loans to REAH comprise:

1	2018	2017
	£	£
Balance Tranche A at 1 January		11,259,000
On 16 October REAH purchased for cancellation 2017 sterling notes reducing the Tranche A loan	-	(248,000)
On 15 December REAH purchased for cancellation 2017 sterling notes reducing the Tranche A loan	-	(50,000)
Repayment of Tranche A loan on 20 December	9.■.	(10,486,000)
Transfer of Tranche A to Tranche B on 31 December		(475,000)
Balance Tranche A at 31 December	_	
Balance Loan at 1 January	32,327,000	31,852,000
Transfer of Tranche A to Tranche B, now one Loan On 5 October REAH purchased for cancellation 2020 sterling notes reducing the Loan	(1,000,000)	475,000
Balance Loan at 31 December	31,327,000	32,327,000
Balance at 31 December	31,327,000	32,327,000

The loan (the "Loan") to REAH bears interest at 8.9283 per cent and is repayable on 20 August 2020. The Loan to REAH represents the on-lending of proceeds from the issue of the 2020 sterling notes on such terms that permit the Company to earn such interest margin as is specified by the Advance Pricing Agreement referred to in note 17. In view of the similar provisions of these loans as to interest and maturity as those applicable to the sterling notes, management estimates a fair value of £31.8m (2017: £32.4m), using the same basis of valuation as the sterling notes (see note 7).

2. Current assets - Receivable from parent company	2018	2017
	£	£
R.E.A. Holdings plc: current account	418,167	448,836
	418,167	448,836
All amounts are due within one year and bear no interest.		

Voor identificatiedoeleinden behorend bij controleverklaring afgegeven door accon avm controlepraktijk B.V. d.d.



3. Taxation receivable		2018 £	2017 £
Corporate income tax 2017 Corporate income tax 2018		11,856	7,014
Corporate income tax summary 2017 2018	.01 <u>paid/(received)</u> £ £ - 20,968 - 22,845 - 43,813	p/l account £ (13,954) (10,989) (24,943)	31.12 £ 7,014 11,856 18,870
4. Cash and cash equivalents Current account with bank GBP Current account with bank EUR Cash and cash equivalents are freely available	e to the Company.	2018 £ 82,334 5,601 87,935	2017 £ 14,368 670 15,038
5. Taxation payable		2018 £	2017 £
Value added tax		300 300	1,417 1,417
6. Accruals Administration fees Audit fees Tax advisory fees Legal fees		2018 £ 25,743 2,339 ———————————————————————————————————	2017 £ 1,700 14,000 2,000 6,621 24,321

Voor identificatiedoeleinden behorend bij controleverklaring afgegeven door accon avm controlepraktijk B.V. d.d.



7. 2020 sterling notes

The sterling notes are listed on the London Stock Exchange and are irrevocably and jointly guaranteed by REAH and by REAS.

REALI and by REAS.		
	2018	2017
	£	£
Balance 2017 sterling notes at 1 January	-	8,324,000
Purchased for cancellation on 16 October by REAH	-	(248,000)
Purchased for cancellation on 15 December by REAH	=	(50,000)
Repaid 21 December 2017	<u>-</u>	(8,026,000)
Balance 2017 sterling notes at 31 December	-	
Balance 2020 sterling notes at 1 January	31,852,000	31,852,000
Purchased for cancellation on 5 October by REAH	(1,000,000)	
Balance 2020 sterling notes at 31 December	30,852,000	31,852,000
Balance at 31 December	30,852,000	31,852,000
Balance at 31 December	30,832,000	31,832,000

The 8.75 per cent guaranteed sterling notes 2020 (the "2020 sterling notes") are repayable on 31 August 2020. The fair value of the sterling notes has been estimated by management at £31.3m (2017: £31.9m) based on the latest price at which the sterling notes were traded prior to the balance sheet date

8. Shareholder's equity

The authorized share capital of the Company amounts to EUR 90,000 divided into 90,000 shares of EUR 1 each, of which 18,000 shares have been issued and fully paid-up. The share capital is recorded at the rate of exchange at the balance sheet date. At 31 December 2018 the rate was 1 GBP = 1.11 EUR (2017: 1 GBP = 1.20 EUR).

	Share capital (£)	Share premium (£)	Translation reserve (£)	Other reserves (£)	Total (£)
Balance as at 31.12.16	15,415	475,000	(3,191)	376,396	863,620
Transfer			-	±	
Dividend	-		¥	4	-
Revaluation	(390)	-	390	÷	
Result for the year			-	56,530	56,530
Balance as at 31.12.17	15,025	475,000	(2,801)	432,926	920,150
Transfer	•	Depart of the second control of the sec	1,=1	-	-
Dividend	E	-		•	•
Revaluation	1,185	-	(1,185)	.**	-
Result for the year	-		•	43,955	43,955
Balance as at 31.12.18	16,210	475,000	(3,986)	476,881	964,105

Appropriation of the result for the year

The management proposes to add the profit for the year to the other reserves. This proposal has already been reflected in the annual accounts.

Voor identificatiedoeleinden behorend bij controleverklaring afgegeven door accon aym controlepraktijk B.V. d.d.

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9. General and administrative expenses	2018 £	2017 €
Administration fees	23,429	26,210
Tax advisory fees	5,498	10,910
Notary fees	7,770	14,166
Bank charges	2,614	2,661
Audit fees (Accon avm controlepraktijk B.V.)	26,897	18,551
VAT 2017	-	1,417
VAT 2018	1,409	_
	67,617	73,915

Audit fees

With reference to Section 2:302a of the Dutch Civil Code, the following fees for the financial year have been charged by Accon avm controlepraktijk B.V. to the Company:

2018	Accon avm Accountants B.V. (£)	Other Network (£)	Total (£)
Audit of the financial statements		(w)	
	25,743	-	25,743
Under provision in respect of 2017	1,154	-	1,154
Other audit engagements	÷.	-	-
Tax advisory services	-		-
Other non-audit services			
Total	26,897	-	26,897

2017	Deloitte	Other Deloitte	
	Accountants B.V. (£)	Network (£)	Total audit fee (£)
Audit of the financial statements	14,000	-	14,000
Under provision in respect of 2016	4,551	-,	4,551
Other audit engagements	-	-	•
Tax advisory services	·	=	
Other non-audit services		=	
Total	18,551	-	18,551

10. Interest income on loans to parent company	2018	2017
	£	£
R.E.A. Holdings plc	2,865,144	3,898,019
	2,865,144	3,898,019
11. Interest expense on loan from parent company	2018	2017
11. Interest expense on loan from parent company	2018	2017
	£	£
R.E.A. Holdings plc		202,850
	-	202,850

Voor identificatiedoeleinden behorend bij controleverklaring afgegeven door accon avm controlepraktijk B.V. d.d.

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12. Other income	2018 £	2017 £
Other income	23,765	32,180
	23,765	32,180
13. Interest expense sterling notes	2018	2017
	£	£
Interest expense 2020 sterling notes	2,766,364	-
Interest expense 2020 and 2017 sterling notes		3,572,745
	2,766,364	3,572,745
14. Currency translation results On finance activities	2018 £ 16 16	2017 £ (12,043) (12,043)
15. Corporate income tax	2018 £	2017 £
Discount on early tax payment	0	351
Corporate income tax - previous year	0	1,487
Corporate income tax - current year	(10,989)	(13,954)
	(10,989)	(12,116)

The Company has concluded an Advance Pricing Agreement and an Advance Tax Ruling with the Dutch fiscal authorities dated 21 February 2007, as amended by Addenda dated 11 March 2009 and 29 July 2010. The Advance Tax Ruling and the Advance Pricing Agreement with the Dutch fiscal authorities has expired as of 31 December 2017. The Company's financing activities are based on a transfer pricing report and are confirmed to be conducted at arm's length in the Advance Pricing Agreement. The profit on such financing activities comprises interest received on loans to group entities, less interest payable on loans from group and external entities and operating expenses relating to such activities. Dutch corporate income tax is assessable on such profit.

The Dutch corporate income tax rate below an amount of EUR 200,000 is 20%. The Dutch corporate income tax rate above an amount of EUR 200,000 is 25%. The effective tax rate of the Company is 20%.

16. Staff numbers and employment costs

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

17. Directors

The Company has one managing director (2017: one). The Company has no supervisory directors (2017: none).

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18. 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 to or disclosure in the annual accounts now presented.

19. Ultimate holding company

The immediate and ultimate holding company and the controlling party is REAH, incorporated in the United Kingdom and registered in England and Wales. The annual accounts of the Company are consolidated into the group headed by REAH which is the only group into which the results of the Company are consolidated. Copies of the annual report, including the audited financial statements, of REAH are available at the registered office of REAH.

Amsterdam, April 29, 2019

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CONTRACTOR

Other information

Independent auditor's report

The independent auditor's report is set out on the next page.

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.

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INDEPENDENT AUDITOR'S REPORT

To: the shareholders of REA Finance B.V.

Report on the audit of the financial statements 2018 included in the annual report OUR OPINION

We have audited the financial statements 2018 of REA Finance B.V., based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of REA Finance B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2018;
- 2 the profit and loss account for 2018; and
- 3 the notes to the annual accounts comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of REA Finance B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

MATERIALITY

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at GBP 300,000. The materiality is based on 1% of total assets as reflected in the 2018 financial statements. We have applied this benchmark based upon our analysis of the mutual interests of the users of these financial statements. Based upon our analysis we conclude that total assets is an important key figure to determine the financial performance of REA Finance B.V. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Ref.: J.MI.19146



We agreed with management that misstatements in excess of GBP 12,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to management. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

The key audit matters are:

- · Valuation of the loan to parent company; and
- Transition as auditors including the audit of the opening balances.

The key audit matters are detailed below.

Description of the Key Audit Matter Our audit response regarding the Key Audit Matter Valuation of the loan to parent company

The financial fixed assets comprise a loan to the parent company amounting to GBP 31,327,000 (2017: GBP 32,327,000).

We consider the loan to the parent company and in particular its valuation to be a key audit matter as this loan is one of the key factors driving the performance of REA Finance in respect of the redemption of the long term liabilities. We identified a significant risk related to the valuation of the loan as an impairment will have a material impact on the financial statements for instance on the going concern assumption.

The accounting policies related to the loan to the parent company are specified in the notes to the annual accounts for the year 2018, under 'Basis of preparation'. In order to obtain sufficient audit evidence our audit procedures included, amongst others, the following procedures:

- Evaluation of relevant internal controls and determine existence of internal controls relating to the financial closing process, which includes valuation of assets;
- Performing substantive audit procedures on the appropriateness of management's impairment assessment of the valuation of the loan to parent company, which includes amongst others:
 - o compliance of the parent company to the loan agreement (loan covenants)
 - analysis of future cash flows of the parent company.

We evaluated the disclosure in the financial statements, in particular note 1 Fixed assets – loan to parent company and the going concern paragraph for compliance with the Dutch Accounting Standards Board guidelines (DASB-guideline) 214 Financiële vaste activa (Financial fixed assets) and 222 Vorderingen (Receivables) and DASB-guideline 170 Discontinuïteit en ernstige onzekerheid over continuïteit (Discontinuity and material uncertainty regarding going concern).

REA Finance B.V. - Ref.: J.MI.19146



Transition as auditors including the audit of the opening balances

During an initial audit the auditor is required to perform certain additional procedures to obtain a sufficient level of knowledge of the entity and to enable the auditor to adequately determine the audit planning and audit approach.

The procedures are also aimed to obtain sufficient and appropriate audit evidence related to the opening balance and accounting policies applied and whether changes have been properly processed and disclosed.

As a consequence of the change of auditor the risk exists that insufficient audit evidence is obtained relating to the opening balance. As a result, this is defined as a key audit matter.

We performed the following procedures, among other:

- Close interaction with the previous auditor, including a process of file review and formal hand-over procedures as prescribed by our professional standards;
- Performance of audit procedures to test the opening balances;
- Evaluation of key accounting positions and audit matters from prior years;
- Review of management's control documentation to assist us in obtaining and understanding of the company's financial reporting and business processes.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- · Report of the management; and
- the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The management is responsible for the preparation of the other information, including the report of the management in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

ENGAGEMENT

We were engaged by the management as auditor of REA Finance B.V. on September 21, 2018 as of the audit for the year 2018 and have operated as statutory auditor ever since that financial year up to and including the audit for the year 2018.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

REA Finance B.V. - Ref.: J.MI.19146



Description of responsibilities regarding the financial statements

RESPONSIBILITIES OF THE MANAGEMENT FOR THE FINANCIAL STATEMENTS

The management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

A more detailed description of our responsibilities is set out in the appendix to our report.

Zaltbommel, April 29, 2019

accon avm controlepraktijk B.V.

On behalf:

W.J. Warmerdam MSc RA

Initials for identification purposes:



APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2018 OF REA FINANCE B.V. In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether
 due to fraud or error, designing and performing audit procedures responsive to those risks, and
 obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The
 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting
 from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or
 the override of internal control:
- obtaining an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing an
 opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- concluding on the appropriateness of the management's use of the going concern basis of
 accounting, and based on the audit evidence obtained, whether a material uncertainty exists
 related to events or conditions that may cast significant doubt on the company's ability to
 continue as a going concern. If we conclude that a material uncertainty exists, we are required
 to draw attention in our auditor's report to the related disclosures in the financial statements or,
 if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the
 audit evidence obtained up to the date of our auditor's report. However, future events or
 conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to management in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.