R.E.A. HOLDINGS PLC

Annual Report and Accounts

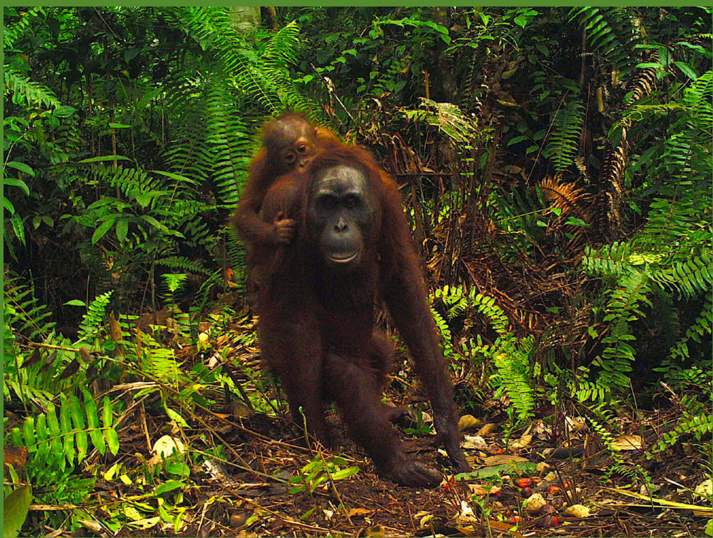
2021

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

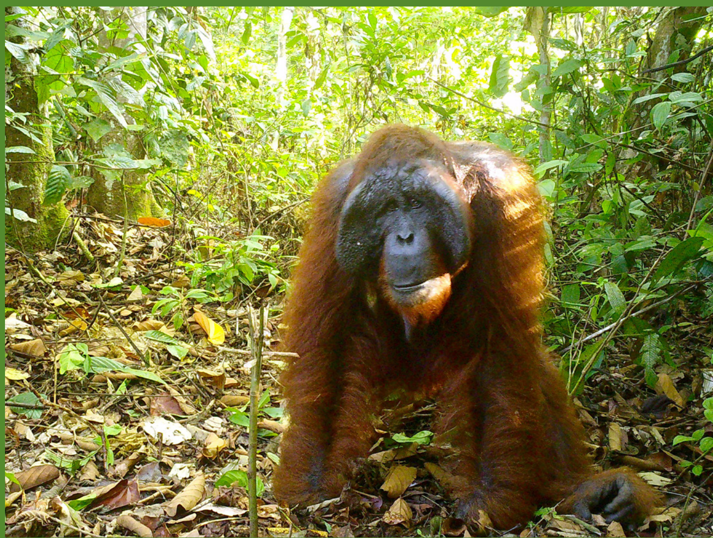
The REA group is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production and sale of crude palm oil and crude palm kernel oil.

Bay owl (*Phodilus badius*)

Harlequin tree frog (*Rhacophorus pardalis*)



Bornean Orangutan (*Pongo pygmaeus morio*) , mother & baby



Bornean Orangutan (*Pongo pygmaeus morio*)

Blue-eared Kingfisher (*Alcedo meninting*)

Leopard cat (*Prionailurus bengalensis*)

Contents

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

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

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

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

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

Key statistics

	2021	2020	2019	2018	2017
Results ($'000)					
Revenue	191,913	139,088	124,986	105,479	100,241
Earnings before interest, tax, depreciation and amortisation*	75,807	36,775	18,173	12,287	20,051
Profit / (loss) before tax	29,198	(23,250)	(43,676)	(5,474)	(21,862)
Loss attributable to ordinary shareholders	(1,500)	(13,604)	(17,814)	(22,021)	(27,408)
Cash generated by / (contributed to) operations**	64,035	53,579	26,505	(8,826)	45,816
Returns per ordinary share					
Loss (US cents)	(3.4)	(31.0)	(43.1)	(54.4)	(67.0)
Dividend (pence)	–	–	–	–	–
Land areas (hectares)* **					
Mature oil palm	35,665	34,745	33,055	33,292	34,076
Immature oil palm	351	1,219	3,099	3,208	10,018
Planted areas	36,016	35,964	36,154	36,500	44,094
Infrastructure and undeveloped	28,506	28,558	28,371	28,025	32,033
Fully titled	64,522	64,522	64,525	64,525	76,127
Subject to completion of title	10,723	10,723	15,873	17,837	34,347
Total	75,245	75,245	80,398	82,362	110,474
FFB Harvested (tonnes)* **					
Group	738,024	765,821	800,666	800,050	530,565
Third party	210,978	205,544	198,737	191,228	114,005
Total	949,002	971,365	999,403	991,278	644,570
Production (tonnes)***					
Total FFB processed	933,120	948,260	979,411	969,356	630,600
CPO	209,006	213,536	224,856	217,721	143,916
Palm kernels	44,735	47,186	46,326	45,425	29,122
CPKO	17,361	16,164	15,305	16,095	11,052
CPO extraction rate****	22.4%	22.5%	23.0%	22.5%	22.8%
Yields (tonnes per mature hectare)* **					
FFB	20.7	22.0	24.2	23.1	15.6
CPO	4.6	5.1	5.6	5.4	3.6
CPKO	0.4	0.4	0.4	0.4	0.3
Average exchange rates					
Indonesian rupiah to US dollar	14,345	14,570	14,158	14,215	13,400
US dollar to pounds sterling	1.38	1.29	1.28	1.33	1.29

* see note 5

** see note 33

*** 2019 and 2020 hectarage and FFB harvested reflect certain adjustments as described in "Agricultural operations" in the Strategic report; 2018 hectarage excludes PT Putra Bongan Jaya ("PBJ"), but FFB harvested and production include PBJ to August 2018

**** 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

Highlights

Overview

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

Financial

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

Agricultural operations

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

Stone and coal

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

Sustainability

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

Outlook

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

Officers and advisers

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D J Blackett
C E Gysin
J C Oakley
R M Robinow
M A St. Clair-George
R Satar
I Chia (retired 31 December 2021)

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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 mill
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

Chairman's statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DAVID J BLACKETT
Chairman

Introduction and strategic environment

Introduction

This strategic report has been prepared to provide holders of the company's shares with information that complements the accompanying financial statements. Such information is intended to help shareholders in understanding the group's business and strategic objectives and thereby assist them in assessing how the directors have performed their duty of promoting the success of the company.

The report contains forward-looking statements. These have been included by the directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution given the uncertainties inherent in any prognosis regarding the future and the economic and business risks to which the group's operations are exposed.

This report has been prepared for the group as a whole and therefore gives emphasis to those matters that are significant to the company and its subsidiaries when taken together. The report is divided into the following sections:

- Chairman's statement
- Introduction and strategic environment
- Agricultural operations
- Stone and coal interests
- Sustainability
- Finance
- Principal risks and uncertainties

This "Introduction and strategic environment" section of the report includes below details of the group's compliance with section 414CB of the Companies Act 2006 (provision of "Non-financial information statement"), section 172(1) of the Companies Act 2006 and the reporting requirements of the Taskforce on Climate-related Financial Disclosures ("TCFD"). The "Finance" section provides explanations regarding amounts disclosed in the financial statements, the group's financial resources and the group's ability to fund its declared strategies.

Non-financial information statement

The group has complied with the requirements of section 414CB of the Companies Act 2006 by including certain non-financial information within this report as detailed below:

(a) The group's business model and resources, its objectives and strategy for achieving these and the market context in which the group operates are discussed in this "Introduction and strategic environment" section.

(b) "Sustainability" below describes the environmental and social issues facing the group and, in particular, provides information regarding the following matters (including the relevant policies, the due diligence processes implemented in pursuance of those policies and the resultant outcomes):

- Environment (including climate related matters and streamlined energy and carbon reporting)
- Responsible agricultural practices
- Employees
- Respect for human rights
- Anti-corruption and anti-bribery safeguards
- Health and safety
- Communities and smallholders
- Conservation

(c) The principal risks identified in relation to the matters listed above and considered by the directors to be material or prospectively material are summarised under "Principal risks and uncertainties" below, including, where relevant, a description of the business relationships, products and services that are likely to cause adverse impacts in those areas of risk, and a description of how such risks are managed.

(d) Quantitative indicators that the directors consider relevant to assessment of the group's performance, including non-financial indicators, are described under "Evaluation of performance" in this "Introduction and strategic environment" section below.

(e) "Agricultural operations", "Stone and coal interests" and "Sustainability" below offer a detailed review of the current status of and trends within the group's activities and the group's plans for their further development and, together with "Finance" below, provide, where appropriate, references to, and additional explanations of, amounts included in the group's accompanying financial statements.

Business model and resources

The 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 CPO and CPKO. Ancillary to these activities, the group generates renewable energy from its methane capture plants to provide power for its own operations and for sale to local villages via the Indonesian state electricity company, Perusahaan Listrik Negara ("PLN"). The group has also made loans to certain Indonesian companies with interests in stone deposits and two coal mining concessions, all of which are located in East Kalimantan.

Detailed descriptions of the group's oil palm and related activities and of the stone and coal concessions are provided under, respectively, "Agricultural operations" and "Stone and coal interests" below.

The group and predecessor businesses have been involved for over one hundred years in the operation of agricultural estates growing a variety of crops in developing countries in South East Asia and elsewhere. Today, the group sees itself as marrying developed world capital and Indonesian opportunity by offering investors in, and lenders to, the company the transparency of a company listed on the London Stock Exchange while using capital raised by the company (or with the company's support) to develop natural resource based operations in Indonesia from which the group believes that good returns can be achieved.

The knowledge and expertise gained from the group's long involvement in the plantation industry and experience in Indonesia represent significant intangible resources that underpin the group's credibility. This is important when sourcing capital, working closely with the Indonesian authorities in relation to project development and recruiting a high calibre experienced management team familiar with Indonesian regulatory processes and social customs and with a firm commitment to sustainable practices and respect for the environment. Other resources important to the group are its established base of operations, large, and near contiguous, land concessions, and a trained workforce with strong links to the local community.

Subsidiary companies of PT Dharma Satya Nusantara Tbk ("DSN"), an Indonesian natural resources company listed on the Indonesia Stock Exchange in Jakarta, currently have a 15 per cent equity interest in REA Kaltim. DSN is engaged in the business of oil palm plantations and wood products, with plantation estates based in East, Central and West Kalimantan. Through its association with DSN, the group benefits from exchanges of information on agronomic and related practices.

Objectives and general strategy

The group's objectives are to provide attractive overall returns to investors in the shares and other securities of the company from the operation and expansion of the group's existing businesses and to foster social and economic progress in the localities of the group's activities, while maintaining high standards of sustainability and respect for the environment, including an awareness of the impacts of climate change.

CPO and CPKO are primary commodities that are sold at prices determined by world supply and demand. Such prices fluctuate in ways that are difficult to predict and that the group cannot control. The group's operational strategy is therefore to concentrate on minimising unit production costs, without compromising on quality or its objectives as respects sustainable practices, with the expectation that, by optimising efficiencies, the group will have greater resilience to downturns in prices than competitor producers.

The group adopts a two-pronged approach in seeking production cost efficiencies. First, the group strives continually to improve the productivity and efficiency of its established agricultural operations. Secondly, the group aims to capitalise on its available resources by developing its land bank as rapidly as logistical, financial and regulatory constraints permit while utilising the group's existing agricultural management capacity to manage the resultant larger business.

The principal risks and uncertainties inherent in the group's business are set out under "Risks and uncertainties" below, including as respects global climate change. Between five and ten per cent of the group's existing plantings are in areas that are low lying and prone to flooding if not protected by bunding. Were climate change to cause an increase in water levels in the rivers running though the estates, this could be expected to increase the requirement for bunding (subject to environmental considerations) or, if the increase was so extreme that bunding became impossible, could lead to the loss of low lying plantings. Changes to levels and regularity of rainfall and sunlight hours could also adversely affect production. However, it seems likely that any climate change impact negatively affecting group production would similarly affect many other oil palm growers in South East Asia leading to a reduction in CPO and CPKO supply. This would be likely to result in higher prices for CPO and CPKO which should provide at least some offset against reduced production.

The stone and coal mining interests represented group diversifications. Following a decision in 2012 to limit further capital committed to coal related investment, the group's strategy for the coal interests is to maximise the recovery of monies that have been invested and to withdraw from such interests. As respects the loan to the company holding the stone concession, the directors believe that quarrying of the stone deposits offers a valuable resource for improving the durability of infrastructure in the group's operations as well as having the potential to provide useful additional revenue from the sale of stone to third parties that will support the repayment of the loan to the group together with a return on the loan.

The group's financial strategy is discussed under "Financing policy" in "Finance" below.

The group recognises that its agricultural operations, of which the total assets at 31 December 2021 represented approximately 90 per cent of the group's total assets and which, in 2021, contributed all of the group's revenue, lie within a single locality and rely on a single crop. This permits significant economies of scale but brings with it some risks. Whilst further diversification would afford the group some offset against these risks, the directors believe that the interests of the group and its shareholders will be best served by focusing on the growth and development of the existing operations. They therefore have no plans for further diversification.

Initiatives

Between 2011 and 2017, the group had to contend with challenges in its operations that resulted in sub-optimal crop levels. These challenges had an adverse impact on cash generation which left the group with a level of debt and preference capital that, during an extended period of weak CPO prices as witnessed from mid 2017 until late 2020, represented a considerable financial burden for the group. Throughout this period, the group concentrated on optimising operational efficiencies rather than pressing ahead with expansion of its land bank or developing significant unplanted areas.

With crops now restored to better levels and with the benefit of firmer CPO prices during 2021 and continuing strong prices in 2022, the group has returned to profitability. Whilst

Introduction and strategic environment

continued

there remains more to do to restore the financial balance of the group and comply with the group's strategic objective of prudence in financial leverage, the marked improvement in the group's financial health has meant that the group has been able to commence some necessary replanting of its oldest mature areas and limited extension planting of areas that were susceptible to flooding within existing estates but can be planted following the construction of bunds. The group will continue to work towards improving its financial resilience but is now also in a position to progress development of the as yet unplanted land areas.

Decisions regarding extension planting and replanting are aimed at enhancing the value of the group's existing operations without compromising on financial health or on the group's environmental policies. Additionally, the directors intend to take advantage of opportunities to acquire limited areas of land that may become available in the vicinity of the group's existing land areas, subject to such opportunities conforming to the group's policies and procedures.

The vegetable oil market context

According to Oil World, in the year to 30 September 2021 worldwide production of the 17 major vegetable and animal oils and fats increased by 1.0 per cent to 240.0 million tonnes and consumption increased by 0.7 percent to 240.9 million tonnes. For the same period, production and consumption of CPO represented, respectively, 75.6 million tonnes and 76.3 million tonnes. Production of the 17 vegetable and animal oils and fats is currently forecast by Oil World to increase by 2.3 per cent in 2022 to 245.5 million tonnes and consumption by 1.1 per cent to 243.4 million tonnes, of which CPO production is projected to account for 78.2 million tonnes and consumption 76.2 million tonnes, representing some 32 per cent of the total.

Vegetable and animal oils and fats have conventionally been used principally for the production of cooking oil, margarine and soap. Consumption of these basic commodities correlates with population growth and, in less developed areas, with per capita incomes and thus economic growth. Demand is therefore driven by the increasing world population and economic growth in the key markets of China and India. Vegetable and animal oils and fats can also be used to provide biofuels and, in particular, biodiesel.

The principal competitors of CPO are the oils from the annual oilseed crops, the most significant of which are soybean, oilseed rape and sunflower. Since the oil yield per hectare from oil palms (at up to seven tonnes) is much greater than that of the principal annual oilseeds (less than one tonne), CPO can be produced more economically than the principal competitor oils and this provides CPO with a natural competitive advantage within the vegetable oil and animal fat complex. Within vegetable oil markets, CPO should also continue to benefit from health concerns in relation to trans-fatty acids. Such acids are formed when vegetable oils are artificially hardened by partial hydrogenation. Polyunsaturated oils, such as soybean oil, rape oil and sunflower oil, require partial hydrogenation before they can be used for shortening and other solid fat applications, but CPO does not.
In recent years, biofuel has become an important factor in the vegetable oil markets. According to Oil World, biofuel production in the year to 30 September 2021 accounted for some 18 per cent of global consumption of the 17 major vegetable and animal oils and fats. An increasing element of biofuel use reflects government mandates. In Indonesia, for example, fuel for use in transport and in power stations is, in each case, required to contain a stipulated minimum percentage of biodiesel. Moreover, a levy on exports of CPO is used in part to subsidise biodiesel production, as discussed below. As a result, an increasing amount of Indonesian CPO is being converted to biodiesel for internal consumption.

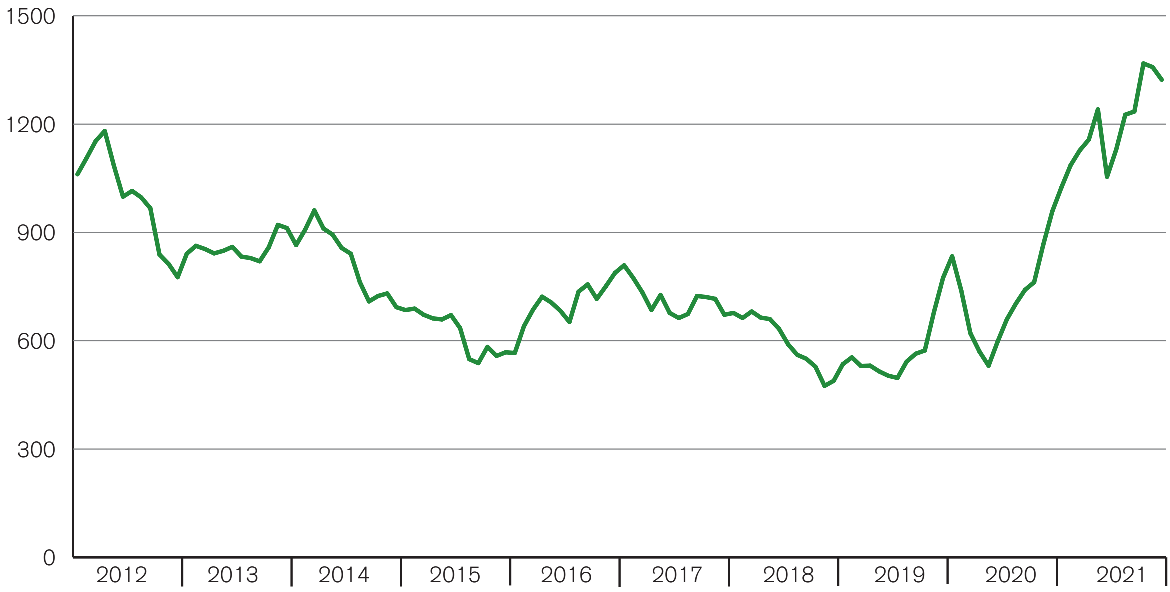
A graph of CIF Rotterdam spot CPO prices for the ten years to 31 December 2021, as derived from prices published by Oil World, is shown below. The monthly average price over the ten years has moved between a high of $1,358 per tonne and a low of $475 per tonne. The monthly average price over the ten years as a whole has been $779 per tonne.

Low production due to the absence of foreign labour in Malaysia and a lack of growth in Indonesian production kept CPO prices firm throughout 2021. The CPO price, CIF Rotterdam, opened the year at $1,050 per tonne, and closed at $1,275, after attaining a high of $1,425 at the end of October. The tighter restrictions that have been in place for several years and remain in place worldwide on clearing new land for oil palm plantings can be expected to result in CPO production growing for the foreseeable future at a slower rate than in the last decade, thereby underpinning stronger price levels.

CPO prices strengthened further at the start of 2022, supported by weather and other factors limiting supplies of vegetable oils combined with continuing demand growth as economies started to recover from the setbacks of the previous two years. With the commencement of the war in the Ukraine, prices have risen, along with commodity prices generally, to unprecedented levels peaking for the year to date at $1,990 per tonne, CIF Rotterdam, in early March and currently standing at $1,720 per tonne.

Partially offsetting the benefit of higher prices have been the export tariffs imposed by the Indonesian government. Export tariffs comprise export duty and export levy. Both are calculated on a sliding scale by reference to a CPO reference price that is set periodically by the Indonesian government on the basis of CIF Rotterdam and other recognised benchmark CPO prices. Export duty is a tax payable to the Indonesian government. Export levy is payable to a dedicated fund that utilises levy income to subsidise the manufacture of biodiesel from CPO and to support other measures designed to benefit the growing of oil palms in Indonesia, such as smallholder replanting, and, more recently, the sale of Indonesian cooking oil. Because biodiesel is a substitute for petroleum based diesel oil, it must be priced on a basis that reflects prevailing levels of petroleum oil prices and when the differential between petroleum oil and CPO prices becomes large, manufacture of biodiesel without a subsidy becomes uneconomic.

CPO monthly average price



The export levy structure in place from the beginning of 2021 was modified in July 2021 with a welcome reduction of $75 per tonne in the maximum level of export levy payable. However, a recent further change has extended the levy scale previously in operation which was capped at $1,050 per tonne (so that there was no increase in levy at CPO reference prices above that level). The new scale is capped at $1,500 per tonne above which level the combined export tariff is $575 per tonne. This represents an increase of $200 per tonne from the total maximum combined export tariff that was payable under the previous scale. The impact of this increase will be mitigated by the removal of domestic market obligations that had been introduced earlier in 2022 and were designed to procure the sale, in the domestic market at a capped price, of cooking oil with a CPO content equivalent to 20 per cent (subsequently increased to 30 per cent) of the volume of Indonesian CPO exports. There has been no change to the export duty structure since the beginning of 2021.

The group sells CPO into the local Indonesian market which is not subject to export levy or export duty. However, arbitrage between the Indonesian and international CPO markets normally results in a local price that is broadly in line with prevailing international prices after adjustment of the latter for delivery costs and export tariffs and restrictions. Changes to export tariffs and restrictions therefore have an indirect effect on the prices that the group achieves on sales of its CPO.

The Indonesian context

With Covid continuing to dominate the world stage in 2021, the Indonesian government was obliged to delay some of the major planned infrastructure projects to fund support for various programmes to alleviate hardship caused by the pandemic. Covid had a severe negative impact on certain business sectors, in particular the tourist industry which is one of the leading sectors in the economy in terms of employee numbers.

Notwithstanding the difficult economic climate, Indonesia enjoyed economic growth of some 3.7 per cent in 2021 (2020: 2.1 per cent) with annual inflation recorded at 1.9 per cent (2020: 1.7 per cent). Growth was largely driven by generally increasing prices for global commodities, such as CPO and minerals, including coal. This afforded the Indonesian government the opportunity to address some of the fallout from the Covid pandemic by targeting investment at new medical facilities, medical infrastructure, testing equipment and purchasing vaccines. Most citizens in rural areas have been offered at least one vaccination and those in urban areas have been offered a second.

The stable economic and political environment was reflected in currency stability throughout 2021. The rupiah exchange rate against the dollar opened the year at Rp 14,105 = $1 and closed the year at Rp 14,269 = $1.

The first quarter of 2022 has seen a wave of the Omicron Covid variant sweeping the country and causing significant disruption to economic activity, albeit that generally infections have resulted in only mild illness. Commodity prices have continued to be buoyant and have provided a valuable stimulus to the economy as well as boosting foreign exchange reserves.

The surge in global vegetable oil prices, exacerbated by the worrying events in eastern Europe, has led to significant demand for exports of Indonesian CPO and in turn a major shortage of cooking oil in the domestic market. The government has taken steps to address this shortage to stem the impact on the domestic economy (as noted under "The vegetable oil market context" above), but with the rising cost of imported foods, such as wheat, there may be pressure for further supportive measures.

Since the re-election of President Jokowi in 2019, the government has pressed ahead with its proposal to move the Indonesian capital to East Kalimantan. The new capital will

Introduction and strategic environment

continued

be situated across two districts, Penajam Paser Utara and Kutai Kartanegara, the latter being the location of most of the group's estates. The proposal was approved by a large parliamentary majority in January 2022 and in March 2022 President Jokowi conducted an official inauguration event in Penajam, attended by senior government officials including the 34 governors representing all of the Provinces in Indonesia.

Section 172(1) statement

All directors recognise their responsibilities to promote the success of the company for its shareholders, other investors, its employees, customers, suppliers and the wider community. The board acknowledges the importance of climate change and seeks to mitigate the negative impacts of the business on the environment and the impact of the climate on the group's operations through its sustainable practices. The KPIs described under "Evaluation of performance" above reflect not only the interests of the group but also the group's broader responsibilities.

As described under "Agricultural operations" below, the group's activities necessitate decisions based on long term considerations: from the acquisition of land titles to the development of land, from the cultivation of oil palms to the harvesting of FFB, and from building processing mills to producing CPO and CPKO. Such considerations include the impact of the operations on the local community and physical environment, on both of which the group is dependent, as described in the sections of this report dealing with "Sustainability".

The directors are conscious that the group is in essence a guest in Indonesia and that an understanding of local customs and sensitivities is important, as described under "Management" in "Sustainability" below. To enhance their understanding and better inform their decisions, all directors make periodic visits to the group's operations to ensure that they each have a proper understanding of, and learn at first hand about, the day to day issues and challenges for the group. The president director of the group's principal operating subsidiary, who resides permanently in Indonesia, submits a monthly report to the managing director and the board covering key aspects of the group's operations, finance, and environmental, social and governance ("ESG") matters. The president director presents in person (or by conference call) a detailed report on the operations and proposed projects for discussion and, as required, approval at each meeting of the board.

The group has a long established framework of policies that embody the standards, values and culture to which it has committed and govern the conduct of its operations. These policies cover NDPE (no deforestation, no peat, no exploitation), business ethics, responsible development, environment and biodiversity conservation, human rights, health and safety, and protection of endangered species and are available for download from the group's website at www.rea.co.uk. The policies and the internationally recognised certification criteria against which the group is continuously audited drive the group's ESG standards and its reputation as a producer of sustainable CPO and CPKO. This brings economic benefits to the group in terms of sales and selling prices of CPO and CPKO, as well as to the group's customers who seek to secure long term supply arrangements with the group. Transparency, certification and the group's policy framework ("Policies") are discussed under such headings in "Sustainability" below.

Employee welfare is central to decisions regarding the interests of the group's employees, particularly given the remote rural location of the group's operations and the integral part that palm oil plantations play in the local community. This is described in detail under "Employees" and "Health and safety" in "Sustainability" below.

Matters relating to climate change are described under "Principal risks and uncertainties", "Streamlined energy and carbon reporting" in "Sustainability", and under "Climate change" in the "Directors' report".

The impact of the group's operations on, and interaction with, the community and the environment are described under "Environment", "Responsible agricultural practices", "Communities" and "Conservation" in "Sustainability" below.

Further detailed information regarding the group's environmental and social performance is published on the sustainability pages of the group's website at www.rea.co.uk. This information, which is updated regularly through the year, allows the group's sustainability criteria to be compared with that of other oil palm growers and allows stakeholders to monitor the group's progress in meeting its sustainability commitments.

The directors seek to ensure that, as described in the Corporate governance report, there is a regular dialogue with the group's key stakeholders, particularly shareholders, debt investors and employees, and, in addition, day to day dialogue, as described in the Directors' report, with the group's customers and suppliers. Such dialogues are based on a mutual understanding of respective interests. The group encourages key stakeholders to visit the group's operations and to provide feedback to the group which may be brought before the directors.

Taskforce on Climate-related Financial Disclosures ("TCFD")

In line with the current UK listing Rules requirements LR9.8.6(8)R, the group has included in this annual report climate related financial disclosures, as respects the group's agricultural operations, consistent with the 4 TCFD pillars and 11 recommended disclosures. The table below provides a summary of the group's climate-related financial disclosures, noting which of these disclosures are aligned with the TCFD recommendations.

In 2021, the group commissioned a comprehensive review of its strategy and practices with the aim of evaluating and addressing climate related risks and opportunities to the group and the wider community. This initial review will be completed during 2022 and will set out actions, priorities and timelines, including climate-related commitments and transition plans towards achieving net zero, that will be subject to regular reassessment and further disclosures in accordance with TCFD recommendations.

Strategy, as respects	
Climate related risks and opportunities*	Climate presents certain risks but also opportunities for the group to develop and adapt in the drive to achieve a lower carbon economy. See "Objectives and general strategy" above, "Key performance indicators" and "Principal risks and uncertainties" below and "Climate change" in the "Directors' report". Identifying, quantifying and optimising both the risks and opportunities is central to the continuing development of the group's sustainability strategy, as noted above and set out under "Transparency and policies" in "Sustainability" below
Impact on business, strategy and financial planning*	As a land-based business, the group recognises the importance of climate change to its operations and in 2021 commissioned a comprehensive review of the group's strategy and practices with the aim of evaluating and addressing climate related risks and opportunities to the group and the wider community.
Resilience based scenarios*	The ongoing review of the group's sustainability strategy and practices will encompass, within the agreed actions, priorities and timelines, various climate change scenarios to ensure that the group is able to address climate-related challenges
Governance	
Board oversight**	The managing director, the group board together with the president director of the group's Indonesian sub-group together have oversight of the group's approach and strategies to address the impacts of climate change, as noted under "Climate change" in the "Directors' report" and under "Management" in "Sustainability" below. Climate-related matters are considered in the monthly operational management reports and meetings in Indonesia and London. These reports, together with quarterly president director's reports, are considered at the quarterly board meetings, as described under "Section 172(1) statement" above. Specifically, climate-related risks are considered at each quarterly meeting of the group audit committee and of the group board
Role of management in assessing risks and opportunities*	The head of the group's sustainability department reports directly to the president director in Indonesia and has primary responsibility for identifying, assessing and highlighting environmental and climate-related risks and opportunities across the group's operations. Climate-related matters are considered in monthly operational management meetings with all department heads in Indonesia and the managing director. The existing remit of the sustainability department includes implementation of the aforementioned review of strategy and practices as respects climate change
Risk management	
Process for identifying and assessing climate-related risks*	Identification of climate change impacts is the responsibility of the group's operational team lead by the president director in Indonesia. The effectiveness of this approach is part of the ongoing sustainability strategy review
Process for managing climate-related risks*	Climate-related matters are considered and addressed in the monthly meetings between departmental senior management which includes conservation and sustainability managers in Indonesia, and in the operational management reports and quarterly president director's reports circulated to the board, as described under "Section 172(1) statement" above. The effectiveness of this approach is part of the ongoing sustainability strategy review
Integration of risks into overall risk management*	The aim of the ongoing sustainability strategy review is to ensure that identified climate-related risks are given sufficient priority in managing the group's operations. See "Climate change" in the "Directors' report"
Metrics and targets	
Internal metrics*	The group continues to record climate related data daily, as well as biodiversity indicators across the operational landscape. A key part of the current sustainability strategy review is an assessment of the group's carbon footprint, an evaluation of how this has changed over time and the effectiveness of the group's approach together with potential changes to be implemented as a result of this assessment. Progress in reducing GHG emissions and developing practices to address climate-related matters are components of individual as well as corporate KPIs
Greenhouse gas ("GHG") emissions*	As explained under "Streamlined energy and carbon reporting ("SECR")" in "Sustainability" below, for over ten years the group has been monitoring and reporting its carbon footprint using the PalmGHG tool that is mandatory for RSPO members. Details of global gross and net emissions (Scope 1, 2 and 3) are set out in the SECR table
Targets*	The group has set interim targets for reducing global GHG emissions by 3 per cent in 2022 and a further 4 per cent in 2023. Medium and long term commitments and targets are being revisited as part of the sustainability strategy review

* Not yet fully aligned with TCFD recommended disclosures

** Aligned with TCFD recommended disclosures

Introduction and strategic environment
continued

Evaluation of performance

In seeking to meet its expansion, efficiency and sustainability objectives, the group sets operating standards and targets for most aspects of its activities and regularly monitors performance against those standards and targets. For many aspects of the group's activities, there is no single standard or target that, in isolation from other standards and targets, can be taken as providing an accurate continuing indicator of progress. In these cases, a collection of measures has to be evaluated and a qualitative conclusion reached.

The directors do, however, rely on regular reporting of certain key performance indicators ("KPIs") that are comparable from one year to the next, in addition to monitoring the key components of the group's profit and loss account and balance sheet. These performance indicators are summarised in the table below.

Quantifications of the indicators for 2021 with, where available, comparative figures for 2020 are provided in the succeeding sections of this report, with each category of indicators being covered in the corresponding section of the report.

Key Performance Indicator	Measurement	Purpose
Agricultural operations		
Crop of FFB harvested	The weight in tonnes of FFB delivered to oil mills from the group's estates during the applicable period	To measure field efficiency and assess the extent to which the group is achieving its objective of maximising output from its operations
FFB yield per mature hectare	The FFB crop harvested (as defined above) divided by the hectarage of the mature area	To measure field productivity and harvesting efficiency and assess the extent to which the group is achieving its objective of maximising output from its existing plantings
CPO extraction rate achieved	The percentage by weight of CPO extracted from FFB processed	To measure harvesting and mill efficiency and assess the extent to which the group is achieving its objective of maximising output from its operations
Palm kernel extraction rate achieved	The percentage by weight of palm kernels extracted from FFB processed	To measure harvesting and mill efficiency and assess the extent to which the group is achieving its objective of maximising output from its operations
CPKO extraction rate achieved	The percentage by weight of CPKO extracted from palm kernels crushed	To measure mill efficiency and assess the extent to which the group is achieving its objective of maximising output from its operations
New extension area planted	The area in hectares of new land planted out during the applicable period	To measure performance against the group's expansion objective
Stone and coal interests		
Stone or coal produced	The weight in tonnes of stone or coal extracted from each applicable concession during the applicable period	To measure production efficiency and assess the extent to which these interests are achieving the objective of maximising output from operations
Sustainability		
Work related fatalities	Number of work related fatalities during the applicable period	To measure the efficacy of the group's health and safety policies
Smallholder percentage	The area of associated smallholder plantings expressed as a percentage of the planted area of the group's estates	To measure performance against the group's smallholder expansion objective
GHG emissions per tonne of CPO and per planted hectare	Emissions measured in tonnes of CO_2 equivalent divided, respectively, by the weight of CPO extracted from FFB processed and by the number of group planted hectares supplying the group mills	To measure the group's GHG emission efficiency
Finance		
Net debt to total equity	Borrowings and other indebtedness (other than intra group indebtedness) less cash and cash equivalents expressed as a percentage of total equity	To assess the risks of the group's capital structure

Agricultural operations

Structure

All of the group's agricultural operations are located in East Kalimantan and have been established pursuant to an understanding dating from 1991 whereby the East Kalimantan authorities undertook to support the group in acquiring, for its own account and in cooperation with local interests, substantial areas of land in East Kalimantan for planting with oil palms.

The group's land areas, the first of which was acquired in 1991 and planted in1994, are owned through the group's principal operating subsidiary, REA Kaltim, in which a group company holds an 85 per cent interest. Over a four year period from 2005 to 2008 the company established or acquired five additional Indonesian subsidiaries, each bringing with it a substantial allocation of land in the vicinity of the original REA Kaltim estates. One such subsidiary, PT Putra Bongan Jaya ("PBJ"), was divested during 2018. Each of the four other subsidiaries is currently owned as to 95 per cent by REA Kaltim and five per cent by Indonesian local investors. Further land was acquired through two more subsidiaries: PBJ2 (acquired in 2012) and PU (acquired in 2017), each of which is owned as to 95 per cent by a subsidiary of REA Kaltim and five per cent by Indonesian local investors.

A diagram showing the structure of the REA Kaltim sub-group is set out below.

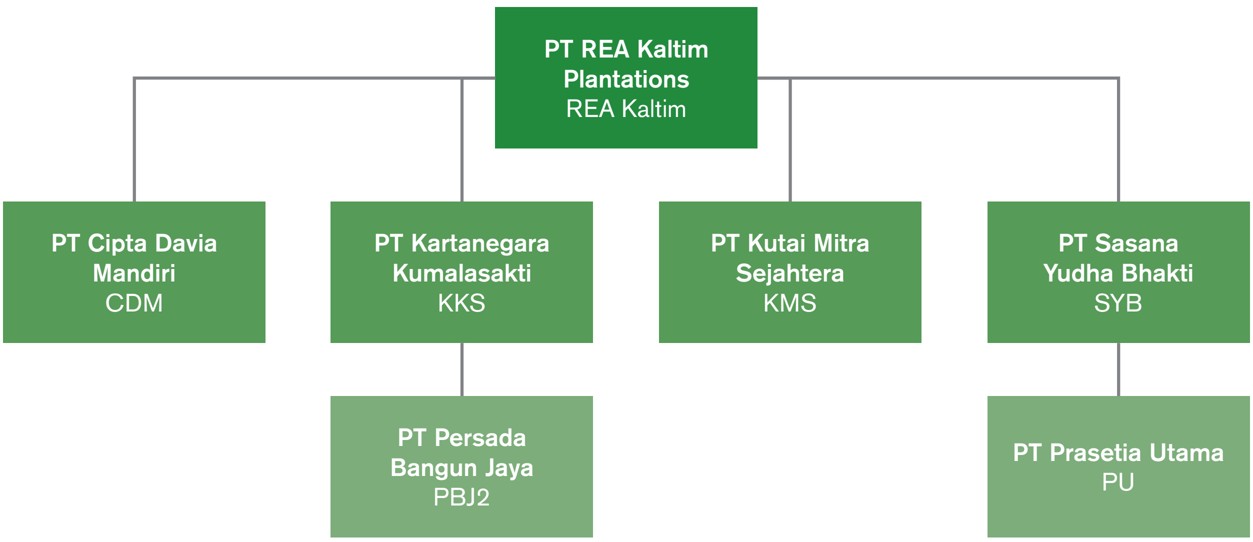
Land areas

The operations of REA Kaltim are located some 140 kilometres north west of Samarinda, the capital of East Kalimantan, and lie either side of the Belayan River, a tributary of the Mahakam, one of the major river systems of South East Asia. The SYB area is contiguous with the REA Kaltim areas and together these form a single site falling within the Kutai Kartanegara regency of East Kalimantan. The CDM and KMS areas are located in close proximity of each other in the East Kutai regency of East Kalimantan, less than 30 kilometres to the east of the REA Kaltim areas. Land held by PBJ2 and PU is adjacent to the land areas held by REA Kaltim and SYB.

For some years, the REA Kaltim estates and adjacent areas were most readily accessed by river but, in 2015, a road was constructed between Tabang (a town to the north of the REA Kaltim estates) and Kota Bangun connecting via a bridge over the Mahakam River with an existing road from Kota Bangun to Samarinda (the capital of East Kalimantan). This road passes through the REA Kaltim estates and provides the group with alternative transport options which are of particular value when excessively dry periods limit river access to the estates. A bridge across the Senyiur River links REA Kaltim with the KMS and CDM areas.

A coal company operating in an area adjacent to the group's Satria estate is currently constructing a road that, by agreement, passes through the group's estates and then, via a major new bridge over the Belayan River, runs further to the Mahakam River. Construction is expected to be completed over the next two years, whereafter this road will provide the group with a valuable alternative land route for evacuating its produce at times when river levels restrict barge access to the estates.

REA Kaltim sub-group



Overview
Strategic report
Governance
Group financial statements
Company financial statements
Notice of AGM

Agricultural operations

continued

Although the 1991 understanding established a basis for the provision of land for development by, or in cooperation with, the group, all applications to develop previously undeveloped land areas must be agreed by the Indonesian Ministry of Forestry and have to go through a titling and permit process. This process begins with the grant of an allocation of Indonesian state land by the Indonesian local authority responsible for administering the land area to which the allocation relates (an "izin lokasi"). Allocations are normally valid for periods of between one and three years but may be extended if steps have been taken to obtain full titles.

After a land allocation has been obtained (either by direct grant from the applicable local authority or by acquisition from the original recipient of the allocation or a previous assignee), the progression to full title involves environmental and other assessments to delineate those areas within the allocation that are suitable for development, settlement of compensation claims from local communities and other necessary legal procedures that vary from case to case. The titling process is then completed by a cadastral survey (during which boundary markers are inserted) and the issue of a formal registered land title certificate (a "Hak Guna Usaha" or "HGU"). Separately, central government and local authority permits are required for the development of land. These permits are often issued in stages. The group has recently commenced the process for renewing certain HGUs that will be approaching the end of their validity period in the next few years.

The group's fully titled agricultural land, at 31 December 2021, totalled 64,522 hectares. Included within this area are 9,097 hectares of fully titled land areas pertaining to PU, which are located on the southern side of the Belayan River opposite the SYB northern areas and linked by a government road to the southern REA Kaltim areas. Transfer of PU shares to SYB and its local partner was completed in 2017 pursuant to exchange arrangements agreed in 2015 with PT Ade Putra Tanrajeng ("APT"). In exchange for such shares, SYB has agreed to transfer to APT 3,554 hectares of fully titled SYB land and has relinquished 2,212 hectares of untitled land allocations, both areas being the subject of overlapping mineral rights held by APT. Pending completion of the transfer of the 3,554 hectares, APT and its associates have been granted access to commence mining in this area.

In addition, at 31 December 2021, the group holds, or is in the process of renewing previously held, land allocations totalling 10,723 hectares. The directors also intend to take advantage of opportunities to acquire limited areas of land that may become available in the vicinity of the group's existing land areas, subject to such opportunities conforming to the group's policies and procedures.

Details of the land areas held by the group as at 31 December 2021 are set out below:

Land areas	Hectares
Fully titled land	
CDM	9,784
KMS	7,321
PU	9,097
REA Kaltim	30,106
SYB	8,214
	64,522
Land subject to completion of titling	
CDM	5,454
PBJ2	5,269
	10,723

Areas the subject of land allocations may be reduced on renewal of allocations and further reduced on full titling when land the subject of conflicting claims or reallocated for smallholder cooperatives may be excluded.

Not all areas in respect of which full HGU titles are issued can be planted with oil palms. Some land may be unsuitable for planting, high conservation value areas must not be developed, and some land will be required for roads, buildings and other infrastructural facilities. The directors believe that currently unplanted fully titled land and existing land allocations, augmented by some potentially available adjacent plots, should permit extension of the group's oil palm plantings to an eventual total planted area approaching 50,000 hectares.

With land prices rising, increasing interest in plantation development and sustainability obligations severely restricting land development, plantable land is much less available than was the case in 1991 when the group was first established in East Kalimantan. Moreover, the Indonesian government now applies a "use it or lose it" policy to land. Pursuant to this policy, land allocations and titles may be rescinded if the land concerned is not utilised within a reasonable period for the purposes for which it was allocated. The group must therefore manage its land bank carefully to ensure that it can demonstrate clear plans for the utilisation of its undeveloped land holdings, subject to the group's environmental policies and sustainability obligations. The group does not believe that any land now intended for further expansion is likely to be lost as a consequence of this government policy.

Land development

Areas planted as at 31 December 2021 amounted in total to 36,016 hectares, of which mature plantings comprised 35,665 hectares having a weighted average age of 16.5 years. A further 211 hectares planted in 2018 were scheduled to come to maturity at the start of 2022.

The breakdown by planting year of the total of 36,016 planted hectares (which exclude planted areas to be relinquished by SYB upon completion of the SYB land swap agreement described under "Land areas" above) is shown below:

Planted areas	Hectares
Mature areas	
1994	319
1995	1,956
1996	2,268
1997	2,479
1998	4,820
1999	351
2000	874
2004	3,190
2005	2,280
2006	3,361
2007	3,446
2008	936
2009	124
2010	1,275
2011	1,002
2012	1,944
2013	1,814
2014	299
2015	61
2016	1,858
2017	1,008
	35,665
Immature areas	
2018	211
2019	–
2020	–
2021	140
	36,016

Planted areas that complete a planned planting programme for a particular year but are planted in the early months of the succeeding year are normally allocated to the planting year for which they were planned.

Each year, based on a review by the group's survey department, the sizes of mature and immature plantings in each year may be adjusted to reflect the outcome of land surveys. Such adjustments during 2021 resulted in 23 hectares being redesignated as infrastructure and conservation areas and a further nine hectares being reallocated from 2007 to 2008 plantings.

Extension planting in areas adjacent to the existing developed areas offers the prospect of good returns. It remains the policy of the directors, therefore, to continue the group's extension planting programme within the framework of the group's sustainability criteria and when funding so permits so that, over time, all suitable undeveloped land available to the group (other than areas set aside by the group for conservation) will be planted with oil palms. As previously acknowledged, such expansion involves a series of discrete annual decisions as to the area to be planted in each forthcoming year and the rate of planting may be accelerated or scaled back in the light of prevailing circumstances.

After two years of being on hold in response to the weakness of the CPO price and the group's financial performance, with profitability restored in 2021 the group was able to recommence its replanting and extension planting programme. During the year, 65 hectares of the group's earliest plantings dating from 1994 in REA Kaltim were replanted and a further 75 hectares of extension plantings were established in KMS.

The group currently aims to replant a further 2,000 hectares and to extend its planted hectarage by between 2,000 and 3,000 hectares over the next two years. Planned replantings may be postponed if prevailing CPO prices are such that it remains economic to continue to harvest the existing plantings in the areas concerned. Extension planting is likely to be concentrated on PU, with development of PU expected to commence during 2022. The group sizes its nurseries to ensure availability of seedlings to meet the group's planned replanting and extension planting programmes, as well as the resupply of recently bunded areas that were previously prone to flooding.

Processing and transport facilities

The group currently operates three oil mills, Perdana oil mill ("POM"), Cakra oil mill ("COM") and Satria oil mill ("SOM"), in which the FFB crops harvested from the mature oil palm areas are processed into CPO and palm kernels. POM and COM date from 1998 and 2006 respectively and each is designed to have an effective processing capacity of 80 tonnes per hour. SOM, operating since 2012, initially had a capacity of 45 tonnes per hour but has recently been expanded to increase its capacity to a minimum of 80 tonnes per hour.

Modification works to POM and COM to improve utilisation of their processing capacity during peak cropping periods that were delayed by Covid are now substantially complete, but a fire in one of the two boilers at POM in June 2021 temporarily reduced available processing capacity at POM. The majority of the costs of reinstating the damaged boiler are covered by insurance. The recently completed SOM expansion and the modification works at COM should prove effective in ensuring that the group has sufficient capacity to process its FFB crops pending reinstatement of the fire damaged boiler at POM. Such reinstatement should be completed in the final quarter of 2022. Thereafter the group should continue, for the foreseeable future, to have sufficient processing capacity for its own requirements and to process the anticipated crop from third party growers.

Agricultural operations

continued

There is a continuing programme of routine maintenance and upgrading work in the mills to optimise extraction rates, minimise oil losses and ensure that the design throughput of each mill is maintained. Having two boilers in each mill provides resilience and facilitates downtime for this ongoing programme.

COM and SOM incorporate, within their overall facilities, palm kernel crushing plants in which palm kernels are further processed to extract the CPKO that the palm kernels contain. Each kernel crushing plant has a nominal design capacity of 150 tonnes of kernels per day. The installed capacity is normally sufficient to process current kernel output from the group's three oil mills.

A fleet of barges for transporting CPO and CPKO is used in conjunction with tank storage adjacent to the oil mills and a transhipment terminal owned by the group downstream of the port of Samarinda. The core river barge fleet, which is operated under time charter arrangements to ensure compliance with current Indonesian cabotage regulations, comprises a number of small vessels, ranging between 750 and 2,000 tonnes. These barges are used for transporting CPO and CPKO from the estates to the transhipment terminal for bulking and then either loading to buyers' own vessels on an FOB basis or for loading to a 4,000 tonne seagoing barge. The seagoing barge, also operated under a time charter arrangement, makes deliveries to customers on a CIF basis in other parts of Indonesia. On occasion, the group also spot charters additional barges for shipments and to provide temporary storage if required.

The current river route downstream from the mature estates follows the Belayan River to Kota Bangun (where the Belayan joins the Mahakam River), and then the Mahakam through Tenggarong, the capital of the Kutai Kartanegara regency, Samarinda, the East Kalimantan provincial capital, and ultimately through the Mahakam delta into the Makassar Straits.

During periods of lower rainfall (which normally occur for short periods during the drier months of May to August of each year), river levels on the upper part of the Belayan become more volatile. CPO and CPKO must then be transferred by road from the mills to a point some 70 kilometres downstream at Pendamaran where the group has established a permanent loading facility and where the year round loading of barges of up to 2,500 tonnes is possible. With the alternative road access that is now under construction through the group's Satria estate, as discussed under "Land areas" above, the group does not currently intend to proceed with its previous plan to construct additional tank storage capacity at Pendamaran.

The group uses a combination of its own fleet of trucks and contractors' trucks to transport CPO and CPKO from the oil mills either to the usual loading points on the upper reaches of the Belayan River or to the downstream loading point at Pendamaran. In due course, as noted under "Land areas" above, construction of the new road through the Satria estate will provide alternative options for transport by land.

Flexibility of delivery options is helpful to the group in its efforts to optimise the net prices, FOB port of Samarinda, that it is able to realise for its produce. Moreover, the group's ability to deliver CPO on a CIF basis, buyer's port, allows the group to make sales without exposure to the collection delays sometimes experienced with FOB buyers of larger shipments. The majority of CPO sales are currently made CIF to an Indonesian refinery in Balikpapan, East Kalimantan, which can be easily accessed from the group's bulking station on the Mahakam River.

Crops and extraction rates

Key agricultural statistics for the year to 31 December 2021 (with comparative figures for the corresponding period of 2020) were as follows:

	2021	2020
FFB crops (tonnes)		
Group harvested*	738,024	765,821
Third party harvested	210,978	205,544
Total	949,002	971,365
Production (tonnes)		
Total FFB processed	933,120	948,260
CPO	209,006	213,536
Palm kernels	44,735	47,186
CPKO	17,361	16,164
Extraction rates (percentage)		
CPO	22.4	22.5
Palm kernels	4.8	5.0
CPKO**	39.5	39.5
Rainfall (mm)		
Average across the estates	3,650	3,061

* Group harvested FFB for both years excludes crops (18,736 tonnes in 2021; 20,029 tonnes in 2020) from areas that previously constituted group areas but are now reallocated to plasma (third parties)

** Based on kernels processed

The group's FFB outturn for 2021 fell short of that achieved in 2020. Harvesting and evacuation of crop were negatively affected by above average rainfall and number of rain days and some crop was lost due to harvesting delays caused by the mid year fire in one of the two POM boilers as noted under "Processing and transport facilities" above. Although crops were higher in the second half of the year than in the first, the degree of weighting to the second half was lower than normal because there was no peak in the last quarter of the year. This is in line with reports of lower crop levels throughout East Kalimantan in the second half of 2021 reflecting delayed ripening, most likely as a result of reduced sunlight hours consequent upon the number of rain days.

Although third party suppliers were affected by rain levels in the same way as the group, the increasing maturity of such suppliers' younger plantings meant that 2021 third party harvested FFB was slightly ahead of that of 2020.

Whilst the group has been fortunate in having suffered only limited disruption as a result of Covid, travel restrictions within Indonesia made the recruitment of new harvesters more difficult than normal. At certain times during the year, the group's harvesters were therefore under pressure to complete all necessary harvesting. This led to some slippage in the collection of loose fruit during 2021 which, combined with FFB evacuation problems caused by the high levels of rainfall, meant that extraction rates did not improve as the group would have liked. Rigorous attention to harvesting standards, backed by a range of measures including realignment of incentives to encourage loose fruit recovery, has led to some improvement in the initial months of 2022 but harvesting standards remain a key area of focus.

High levels of rainfall not only inhibit evacuation of FFB but also delay road upkeep programmes which in turn challenges the group's vehicle fleet and exacerbates evacuation problems. With the planned opening of the andesite quarry (discussed under "Stone and coal interests" below), the group is initiating a long term programme progressively to build a stone base to all the group's roads so as to convert these into all-weather roads.

Production in the first quarter of 2022 has continued to be impacted by unusual weather patterns that were seen in the last few months of 2021 with average rainfall across the group's estates up by 36 percent compared with the historic average of the last ten years. Group FFB amounted to 151,523 tonnes in the first three months to the end of March 2022, compared with 192,222 tonnes for the same period in 2021. Third party FFB amounted to 54,232 tonnes in the three month period against 54,772 tonnes for the comparable period in 2021.

By contrast, extraction rates benefited from the measures taken in 2021 to raise the quality of fruit delivered to the mills as well as from upgrading of the mills and the drive to improve mill processes. The CPO extraction rate averaged 22.5 per cent in the first three months of 2022, compared with 21.8 per cent for the same period in 2021.

The group recently decided to accelerate planned new investment in its transport fleet. As a result, the group is taking delivery of substantial numbers of additional tractors and trucks. The further FFB carrying capacity that these will provide will improve the group's ability to evacuate crop when heavy rainfall slows down collection of FFB and should result in an immediate improvement in evacuation volumes. Accordingly, the group's FFB crops for 2022 are not expected to fall short of those in 2021.

Revenues

During 2021, all of the group's CPO and CPKO was sold in the local Indonesian market, reflecting continuing good demand from easily accessible local refiners. The group has established relationships with each of the four main refineries now operating locally. Competition between these refineries ensures that prices achieved are competitive.

CPO and CPKO sales are made on contract terms that are comprehensive and standard for each of the markets into which the group sells. The group therefore has no current need to develop its own terms of dealing with customers. CPO and CPKO are widely traded and the group does not therefore see the concentration of its sales on a small number of customers as a significant risk. Were there to be problems with any one customer, the group could readily arrange for sales to be made further afield and, whilst this could result in additional delivery costs, the overall impact would not be material.

Average premia realised during the year for sales of certified oil amounted to $10 (2020: $10) per tonne for CPO sold with International Sustainability and Carbon Certification and, respectively, $1.30 (2020: $4) and $138 (2020: $25) per tonne for CPO and CPKO sold with Roundtable on Sustainable Palm Oil certification.

As a rule, all CPO and CPKO produced by the group is sold in the local market on a spot basis. Whilst the group has never ruled out making forward sales at fixed prices, the fact that export levy and export duty are levied on prices prevailing at date of delivery, not on prices realised, acts as a disincentive to making forward fixed price sales. This is because a rise in CPO prices prior to delivery of fixed price forward sales will mean that the group will not only forego the benefit of a higher price but may also pay export levy and duty on, and at rates calculated by reference to, a higher price than it has obtained. No deliveries were made against forward fixed price sales of CPO or CPKO during 2021 and the group currently has no sales outstanding on this basis.

Arrangements with the group's customers for the provision of funding in exchange for forward commitments of CPO and CPKO, on the basis that pricing is fixed at the time of shipment by reference to prevailing prices, were extended in 2021 with buyers continuing to seek secure oil supplies. The average selling price for the group's CPO for 2021, including premia for certified oil but net of export levy and duty, adjusted to FOB Samarinda, was $777 per tonne (2020: $566 per tonne). The average selling price for the group's CPKO, on the same basis, was $1,157 per tonne (2020: $615 per tonne). The group's sales are for the most part priced approximately four weeks ahead of delivery. This means that there is a lag of four weeks in the impact on the group of price movements in the CPO and CPKO markets.

Operating efficiency

The group's costs principally comprise: direct costs of harvesting, processing and despatch; direct costs of upkeep of mature areas; estate and central overheads in Indonesia; the overheads of the UK head office; and financing costs. The group's strategy, in seeking to minimise unit costs of production, is to maximise yields per hectare, to seek efficiencies in overall costs and to spread central overheads over as large a cultivated hectarage as possible.

The group's operations lie in an area where average rainfall levels are high. The group endeavours to capitalise on this advantage by striving to achieve economic efficiencies and best agricultural practice. In particular, careful attention is given to ensuring that new oil palm areas are planted with high quality seed from proven seed gardens and that all oil palm areas receive appropriate husbandry.

Methane from the group's two methane capture plants, which were commissioned in 2012, drives seven generators each of one megawatt capacity. Four megawatts of generating capacity provide power for the group's own use which has enabled the group to achieve material savings in energy costs as consumption of diesel oil for electricity has been largely eliminated on the REA Kaltim and SYB estates. Three megawatts of generating capacity supply power to villages and sub-villages surrounding the group's estates by way of the local grid owned by the Indonesian government's energy company, PLN.

Payment for the power sold through PLN is made at fixed rates determined by Indonesian government regulations. Local demand for power is growing steadily and, as further households install prepay meters, power offtake from the group is projected to increase. Revenue from electricity sales to PLN amounted to some $860,000 in 2021, compared with $791,000 in 2020.

In addition to reducing energy costs and generating additional revenues, the two methane capture facilities have substantially reduced the group's GHG emissions. Following a feasibility study in 2021, the group intends in the near future to commence construction of a third methane capture plant at SOM, with a view to producing biogas for power generation at SOM and for upgrading to compressed biomethane gas to replace diesel used by the group's vehicle fleet.

Other cost saving initiatives that have been implemented by the group in recent years include measures to reduce the use of pesticides, in-house production of harvester bridges, manufacture of bricks for housing using a mixture of cement and boiler ash from the mills, and fabrication of spare parts for mill repairs.

The roll out of handheld devices across all of the group's operations to input data into the group's information system, has improved recording accuracy, speeding up the generation of operational reports and, over time, facilitating savings in administrative costs. Implementation in 2020 and 2021 of a new human resources IT system and a procurement and inventory management module that are designed to integrate with the existing management information system are also producing efficiencies and, ultimately, will result in cost savings.

Stone and coal interests

Concessions

The group has made loans to certain Indonesian companies with interests in stone deposits and two coal mining concessions, all of which are located in East Kalimantan in Indonesia.

The main stone concession comprises substantial deposits of high grade andesite stone located to the north east of the SYB northern plantations. A much smaller limestone deposit adjacent to the land areas formerly held by PBJ is not currently active. Stone interests are complementary to the group's plantation interests because quarried stone represents a valuable resource for improving the durability of infrastructure in the group's operations.

The coal mining concessions comprise a high calorific value deposit near Kota Bangun and the lower grade Liburdinding concession in the southern part of East Kalimantan. It is the directors' intention that the group withdraw from its coal interests.

Structure

The andesite stone and coal mining concessions are held by Indonesian companies which are wholly owned by the group's local partners. Stone quarrying is classified as a mining activity for Indonesian licensing purposes and is subject to the same regulatory regime as coal mining.

Historically, the group had the right, subject to satisfaction of certain conditions (the "applicable conditions"), to acquire 95 per cent of the concession holding group of companies at the local partners' original cost. The concession holding companies were financed by loan funding from the group on terms such that no dividends or other distributions or payments could be paid or made by the concession holding companies to the local partners without the prior agreement of the group. However, changes to the Indonesian regulatory regime applicable to foreign investment in mining since the above arrangements were agreed in 2008 meant that, from 2014, the applicable conditions could no longer be satisfied in their existing form. Accordingly, the concession holding companies are not consolidated. In the meanwhile, the group has continued to provide loan funding to the concession holding companies. The andesite stone concession holding company has guaranteed the obligations to the group of the coal concession holding companies.

The concession holding companies have appointed the company's 95 per cent subsidiary, PT KCC Resources Indonesia ("KCCRI"), to act as a marketing agent in connection with the sale of their coal and stone production and will pay KCCRI appropriate sales related commissions for this service.

The directors intend that the group's withdrawal from its coal interest should be effected by encouraging the group's local partners to mine out the Kota Bangun concession within two years and to divest the Liburdinding concession.

Background and operating activities – coal

The group's coal interests date from between 2008 and 2010. The directors concluded in 2012 that coal mining has specific complexities that are not shared by the group's agricultural operations and decided to limit further capital commitments to coal and to concentrate the group's efforts on maximising recoveries of the amounts already invested. Then in 2014, in light of a substantial fall in international coal prices, coal activities were suspended.

In 2017, when coal prices began to recover, work began on reopening the more important coal concession at Kota Bangun, held by PT Indo Pancadasa Agrotama ("IPA"), which principally contains semi-soft coking coal and high calorific value thermal coal. As a necessary preliminary to resuming mining at Kota Bangun, IPA acquired an established loading point on the Mahakam River, together with a coal conveyor that crosses IPA's concession and runs to the loading point via a coal crushing facility. After relicensing the loading point, the loading point and conveyor were refurbished. The loading point and related infrastructure can be used by IPA to process and load coal from neighbouring third party mines in addition to its own coal.

Having secured access to the Mahakam via the loading point and a licence to export coal from the Kota Bangun concession, in 2018, IPA disposed of an existing coal stockpile of some 16,000 tonnes from previous mining operations. In 2019, following consideration of various options with suitable contractors, IPA appointed a contractor to recommence mining of the concession on the basis that the contractor provide mining services to IPA and manage the port facility, as well as funding all further expenditure required for infrastructure, land compensation and mobilisation, on terms that the costs incurred by the contractor would be reimbursed on an agreed basis and the contractor would participate in profits from the mine. Following further drilling to confirm existing data and develop a mine plan, the contractor was expected to commence mining in 2020 but Covid caused a delay.

Following settlement of land compensation and an agreement with a neighbouring coal company to permit IPA to utilise a road for evacuation of coal, mining resumed in earnest in the last quarter of 2021. The first coal sale had been expected to take place before the end of 2021 but was delayed by the Indonesian government's introduction in December 2021 of a temporary restriction on coal exports designed to ensure sufficient domestic availability of coal to satisfy internal requirements for power generation. At the beginning of 2022, it was clarified that this restriction would not immediately apply to IPA and, accordingly, sales of IPA's coal could proceed, although there will in due course be a requirement to fulfil the domestic obligation to sell coal to local purchasers to the extent of some 25 per cent of annual production.

IPA's first two coal sale contracts, together amounting to 61,500 tonnes, were shipped during the first quarter of 2022, and a third contract of 33,000 tonnes has been shipped in April. Current IPA production is from a pit in the southern part

Stone and coal interests

continued

of the IPA concession and IPA expects to continue mining this pit at a rate of 30,000 tonnes per month going forward. Economically mineable coal in this pit has not been evaluated in accordance with the Joint Ore Reserves Committee ("JORC") standards but, based on available drilling data, is estimated at 400,000 tonnes, of which some 110,000 tonnes had been mined up to the end of March 2022. Following recent exploratory drilling, development of a mine plan for reopening the pit that was previously mined in the northern part of the IPA concession is in progress.

Based on costs prevailing at the start of 2021and the expected average stripping ratio for the southern pit, IPA budgeted an average direct mining and barging cost for coal in this pit during 2022 of less than $110 per tonne. Recent increases in diesel prices may, however, result in an actual cost per tonne over 2022 that is above budget. Selling prices of the first shipments from IPA have ranged between $212 and $340 per tonne (delivered FOB vessel). As a result of the profit participation agreed with IPA's contractor, the profit contribution from IPA coal sales (representing the excess of the net proceeds of such sales over the direct costs) is shared between IPA and the contractor in the approximate proportion 70:30.

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 PT Aragon Tambang Pratama ("ATP") and can be utilised by ATP in reducing its own group loans.

Preliminary investigations indicate that part of the overburden removed when mining at IPA may be suitable for crushing and sale as building sand. If confirmed and if agreement on the utilisation of such overburden can be reached with the group's local partners (who own the rights to such sand separately from IPA), this may enhance the return to the group from mining at the Kota Bangun concession. In addition, IPA is generating some additional revenues from its concession by fees from neighbouring coal concessions that are shipping small volumes of coal through IPA's port.

Background and operating activities – stone

The operating licence required to establish a simple quarrying and crushing operation on the andesite stone concession was obtained by ATP in 2014.

Following the agreement in 2020 with a neighbouring coal company referred to under "Agricultural operations" above, the project to supply andesite for the new road planned to be built by that company from its coal concession area through the company's estates and on to the Mahakam River is now being progressed. At the end of 2021, ATP signed an in principle agreement with the coal mining company in question pursuant to which the coal company intends to purchase 1 million metric tonnes of andesite stone from ATP over a period of 24 months. ATP will also supply stone for infrastructure projects, such as building all weather roads, in the group's agricultural operations. Negotiations for the appointment of a contractor to operate the quarry are currently being finalised and quarrying is expected to commence later in 2022.

Looking further ahead, local civil works for government projects in East Kalimantan, such as the recently approved proposal to move the Indonesian capital from Java to East Kalimantan, are likely to require substantial quantities of crushed stone. Construction of the new capital, to be called Nusantara (meaning "archipelago"), is reported to be commencing in the near future with the relocation beginning in 2024.

Sustainability

The group remains committed to ensuring that its ESG commitments meet the evolving challenges of climate change and biodiversity loss and can deliver sustainable growth for the benefit of all stakeholders into the future. In furtherance of this commitment, the group has recently signed a long term collaborative agreement with the University of Cambridge to promote research into sustainable oil palm management and the conservation of biodiversity in oil palm landscapes. The collaboration will also involve local research institutions in Indonesia as well as the communities in and around the group's operational locations. Stakeholders will continue to be updated as the group's strategies further develop.

Transparency

The group endeavours to operate in a responsible and transparent manner and has made its policy framework publicly available since 2015. In addition to the sustainability information published each year in the annual report, the group publishes on its website more detailed information regarding the group's environmental and social performance, as well as the sustainability challenge, in accordance with internationally recognised standards. This allows the group's sustainability performance to be compared with that of other oil palm growers and allows stakeholders to monitor the group's progress in meeting its sustainability commitments. This additional sustainability information is updated regularly through the year and is available at www.rea.co.uk. This regular provision of updated information now substitutes for standalone hard copy sustainability reports such as were published by the group in the past.

Each year, the group participates in the Sustainable Palm Oil Transparency Toolkit ("SPOTT") assessment by the Zoological Society of London ("ZSL"). SPOTT uses publicly available information to assess palm oil producers, processors and traders on the transparency of their disclosures regarding policies, operations and commitments to ESG best practice. The overall SPOTT score comprises three ESG disclosure categories: organisation (the operations, assets and management structure); policies (the commitments and processes that guide the operations); and practices (the activities that actively progress towards targets and implementation of policies and commitments), within which the number of assessment categories, indicators and companies varies from year to year.

The toolkit is designed to incentivise implementation of best practice with respect to, inter alia, sustainability and traceability, forest management, biodiversity, high conservation values ("HCVs"), high carbon stocks ("HCSs"), peatlands, fire, GHG emissions, water, chemicals, pest management, smallholders, community (land) rights and labour rights and grievances. In the 2021 SPOTT assessment, the group increased its score from 79.8 per cent to 84.4 per cent, compared with an average score of 42.8 per cent and ranked 8th out of the 100 palm oil companies assessed against 182 ESG indicators.

Policies

The group follows a policy framework that underpins the group's commitment to recognised sustainable practices and demonstrates the group's desire to remain at the forefront of sustainable palm oil production. The group's policies, which are regularly reviewed and updated, can be downloaded from the Sustainability section of the group's website at www.rea.co.uk. Together, these policies embody best practices with respect to NDPE (no deforestation, no peat, no exploitation) and sustainable development, the provision of socioeconomic benefits for local communities, the protection of biodiversity and ecosystem functions, zero burning, reducing GHG emissions, human rights and a zero tolerance approach to bribery and slavery.

Certification

Certification provides third party verification that a company is operating in accordance with national and international standards. Further, it encourages companies to improve their policies and practices by establishing higher premia for certified products. Standards are embodied in various certification schemes, specifically the Roundtable on Sustainable Palm Oil ("RSPO"), Indonesian Sustainable Palm Oil ("ISPO") and International Sustainability and Carbon Certification ("ISCC"). These schemes focus on minimising deforestation, transparent feedstock supply chains, human rights and safety, and measurement of GHG emissions. The group aims to achieve and maintain certification under these internationally recognised schemes for all of its plantations and mills.

RSPO

The group has been a member of RSPO since 2007. RSPO is a multi stakeholder organisation that has developed a standard to promote the sustainable production of palm oil. The RSPO standard is voluntary and consists of a set of Principles and Criteria designed so that entities can be audited against the RSPO Supply Chain Certification Standard.

The group's two oldest mills, POM and COM, and their supply chains were first certified in 2011. The supply chain for COM includes the group's most recently matured estate, KMS, which attained RSPO certification in 2020 after a two year independent audit process. Surveillance audits are conducted annually to ensure continuing compliance and recertification audits take place every five years. In 2021, the surveillance and recertification audits were conducted via a combination of remote and onsite audits due to COVID travel restrictions. The fourth annual surveillance audit for COM was successfully completed, securing renewal of its Palm Trace licence. The five-yearly recertification audits of POM, the COM kernel crushing plant ("KCP") and their supply chains together with the group's downstream bulking station were also completed in 2021 with certification successfully renewed until 2026.

As previously reported, the RSPO certification for the group's third oil mill, SOM, requires resolution of an RSPO compensation liability in respect of two small land areas within SYB that were cleared in 2008 prior to changes in the regulations that required conducting HCV assessments. The group's proposal in respect of some 129 hectares of land at Satria estate and the final HCV compensation liability in respect of 44 hectares at SYB's Tepian estate, that were excised from the supply base to each of SOM and POM in 2019, were both approved during 2021. For each liability, the group has developed a concept note for a conservation and rehabilitation programme in accordance with the RSPO's Remediation and Compensation Procedure. The concept notes remain subject to review by the RSPO and, once approved, SOM can be audited to secure certification and the Tepian area will be reinstated within the POM certified supply base.

Certification of SOM's KCP remains unaffected by the ongoing compensation liability cases and successfully completed the annual RSPO surveillance audit in 2021.

The social impact assessment ("SIA") required to be conducted by third party consultants in respect of 959 hectares cleared at CDM prior to conducting an HCV assessment has been delayed by Covid travel restrictions. This is now scheduled to take place during April 2022. A compensation plan has already been agreed in principle with RSPO and payments will be settled over several years as part of a time-bound plan which was agreed with RSPO for RSPO certification of CDM by 2023.

RSPO has also reviewed certain incidences of land clearing prior to HCV assessments in respect of two plasma cooperatives that were reported pursuant to a land use change assessment ("LUCA") in 2019. In March 2021, following a review of the additional supporting materials provided by the group and the local communities, it was agreed that the group has no social liability in respect of the areas in question. However, the RSPO has determined that the group has conservation related liabilities in respect of 624 hectares and environmental remediation liabilities in respect of 39 hectares. Accordingly, the group is now developing relative concept notes for RSPO approval.

The liabilities in respect of CDM and the plasma cooperatives are not material.

ISCC

CPO produced from mills certified under the voluntary ISCC scheme may be sold for biofuel under the European Union Renewable Energy Directive ("EU RED"). Following recertification audits, certificates for each of the three mills and the bulking station were renewed in 2021. Recertification audits for the current year took place in February 2022 with zero non-compliances recorded and issue of the new certificates pending.

ISPO

The ISPO standard is a policy adopted by the Ministry of Agriculture on behalf of the Indonesian Government and is mandatory for all oil palm companies operating in Indonesia. REA Kaltim's estates and its two mills, POM and COM, first achieved ISPO certification in 2016 and have passed annual surveillance audits by the SGS Indonesian Certification Institute each year subsequently. The five-yearly ISPO recertification audits for POM and COM were completed in 2021 and their certificates successfully renewed until 2026. SOM and the SYB estates first obtained ISPO certification in 2018 and successfully completed their 3rd annual surveillance audits in 2021. ISPO does not apply to immature or development estates.

Certified sales

The group uses the RSPO PalmTrace system for certifying transfers of oil palm products from mills to refineries. RSPO PalmTrace also offers a marketplace and the option to register off market deals through a "Book and Claim" system for RSPO credits; such registration confirms that the applicable CPO or CPKO was produced by an RSPO certified company.

Each sale of CPO and CPKO can be made with only one certificate, so the group must decide which certification should apply to each sale. Most CPO is sold with ISCC certification because, in the context of the overall CPO market, buyers offer higher premia for ISCC certified CPO than for RSPO certified CPO. There is no market for ISCC certified CPKO, but demand for RSPO certified CPKO has increased significantly over the last 18 months with a consequential increase in premia, as shown under "Revenues". Where CPO and CPKO cannot be sold with ISCC or RSPO certification, available CPO and CPKO sustainability credits are sold through the PalmTrace system or off market to specific buyers.

2021 sales of CPO and CPKO are shown below:

	CPO		CPKO	
	tonnes	%	tonnes	%
RSPO sales	–	–	8,279	43.2
RSPO credits	13,183	5.9	–	–
ISCC sales	116,137	51.8	–	–
Other (not certified)	95,008*	42.4	10,873	56.8
Total	224,328		19,152	

* Includes some certified CPO production that was sold as uncertified or without any sustainability premium

Environment

ISO 14001 is the international standard for effective environmental management systems that support organisations in the development and implementation of environmental policies and objectives. The group maintains ISO 14001 certification, which is subject to annual renewal, for all of the REA Kaltim and SYB estates and mills as well as the bulking station. The third annual surveillance audits were conducted for REA Kaltim and SYB in 2021 with certification successfully renewed until early 2022. Three-yearly recertification audits are being conducted in the first half of 2022.

The group's mills are also rated annually under The Program for Pollution Control, Evaluation and Rating ("PROPER"). PROPER is an initiative of the Indonesian Government's Environmental Impact Agency which seeks to mitigate risks of pollution and associated consequences. The group is rated at both provincial and national levels. A blue rating denotes that environmental management standards meet the regulatory requirements; a green rating denotes that the company's standards go beyond the standard regulatory requirements.

	Provincial	National
POM	Green	Blue
COM	Green	Blue
SOM	Green	Blue

Streamlined energy and carbon reporting ("SECR")

The group has been monitoring and reporting its carbon footprint using the PalmGHG tool for over ten years and currently uses the latest version (version 4) of the PalmGHG tool which became mandatory for RSPO members on 1 January 2020. The PalmGHG tool was developed by a multi stakeholder group within RSPO which included leading scientists in the field of GHG accounting for oil palm operations. Annual reporting of emissions using the PalmGHG tool has been mandatory for all RSPO members since 2016, with submissions independently verified by RSPO accredited certification bodies.

The PalmGHG tool uses a lifecycle assessment approach, whereby all the major sources of GHG emissions (carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O)) linked to the cultivation, processing and transport of oil palm products are quantified and balanced against carbon sequestration and GHG emission avoidance. All direct, and the majority of indirect, emissions associated with the group's oil palm operations in Indonesia are captured within the PalmGHG tool. Changes in the calculation methodologies of the various versions of the PalmGHG tool as it has developed mean that there are variations in the calculation of emissions from year to year.

In addition to reporting GHG emissions calculated using RSPO PalmGHG, the group also reports emissions for ISCC and ISPO which use a different calculation methodology. Submissions for ISCC are independently verified by an ISCC accredited certification body.

Information on the group's emissions and energy consumption in accordance with SECR is set out below.

Whilst the methodology for calculating emissions under SECR is identical to that used for RSPO, the scope of activities covered is different. RSPO requires only the GHG emissions from the group's palm oil mills and their supply bases to be included. Emissions linked to the group's estates that do not yet supply FFB to one of the group's mills are not included.

Instead, emissions associated with the land use change component of new oil palm developments (which represent the majority of emissions from new developments) are accumulated over the immaturity period of each development and then amortised over the 25 year oil palm lifecycle once the development starts producing crop.

The scope of emissions reported under SECR, however, includes all group activities worldwide and thus includes emissions from new developments as these arise, but excludes the amortisation of emissions accumulated during the development of areas now in production. Except where otherwise stated, the PalmGHG methodology, adjusted for this different basis, has been used for the calculations.

	2021	2020*
Emissions (tCO_2eq)		
Oil palm cultivation in Indonesia[1]		
Gross	578,857	559,542
Net	85,785	101,428
Collection, milling and distribution operations in Indonesia[2]		
Gross	99,848	106,087
Net	60,728	76,285
Emissions from electricity purchased for own use[3]	86.1	86.7
Global emissions		
Gross	678,790	665,716
Net	146,599	177,799
UK emissions included within global emissions	27.0	30.1
Energy usage (kWh)	'000	'000
Energy use from combustion of fuel	69,752	70,551
Energy use from methane capture generated electricity	18,881	17,836
Energy use from purchased electricity	82	83
Global energy use	88,715	88,470
UK energy use included within global energy use	26	29
Intensity measures[4]		
Net emissions per tonne of CPO produced (tCO_2eq/tonne CPO)	0.69	0.82
Net emissions per planted hectare (tCO_2eq/ha)	4.12	5.00

* Certain figures restated following a review of the 2020 calculations in respect of emissions and sequestrations at CDM

1 Covers Scope 1 direct GHG emissions from historic land conversion, agricultural practices and peat soil; includes sequestration by crop and conservation forest areas. Some Scope 3 indirect GHG emissions including those associated with the extraction, production and transport of purchased materials such as fertilisers and pesticides, as well as fuel usage by third party contractors involved in operations

2 Covers Scope 1 and Scope 3 emissions from the transport and processing of crop and waste products; also includes sequestration from sale of excess electricity generated from waste products and sale of excess palm kernel shell for energy generation. Conversion factor used to calculate energy use from combustion of fuel is 10.58 kWh/litre diesel (source: UK Government GHG Conversion Factors for company reporting 2020)

3 Covers Scope 2 emissions associated with electricity usage in group offices in both Indonesia and the UK, representing indirect GHG emissions from the consumption of purchased electricity as defined by the GHG Protocol.

4 Calculated using palm oil industry emissions disclosure data for palm oil operations in Indonesia

GHG emissions associated with the group's oil palm operations were 3.5 per cent higher in 2021 compared with 2020, primarily reflecting increased applications of inorganic fertiliser as a result of some carry over from 2020 and also in response to palm nutrient requirements (as explained under "Responsible agricultural practices" below). By contrast, emissions associated with crop collection, milling and palm product distribution decreased by 5.9 per cent in 2021 due to reduced usage of diesel fuel and increased power generation by steam turbines in the group's mills.

Net GHG emissions associated with the group's oil palm operations decreased by 17.6 per cent in 2021 due to increased sequestration of carbon in additional set-aside areas (forest reserves, riparian buffer zones and peat soil conservation areas). Net GHG emissions are calculated by deducting from the gross GHG emissions the carbon that is estimated to have been fixed (sequestered) by the oil palms and conserved set-aside forest through the process of photosynthesis. A further deduction is made to account for the GHG emissions that have been avoided as a result of the use of renewable electricity from the group's methane capture facilities in domestic buildings and by local communities that were previously supplied with electricity from diesel powered generators.

The group's net GHG emissions have been expressed per tonne of CPO produced and per planted hectare (immature and mature). Both intensity measures are considered relevant because the maturity of the oil palm within the supply base does not influence the trend in GHG emissions per planted hectare, whereas it does impact the GHG emissions per tonne of CPO. Net GHG emissions in 2021 compared with 2020 show a 16.1 per cent reduction when expressed as per tonne of CPO produced and a 17.7 per cent reduction when expressed as per planted hectare.

Responsible agricultural practices

Maintaining clean air and freshwater resources is vitally important for the villages in, and in the proximity of, the group's estates, as well as for the group's operations in the estates and mills. The quality of river water, ground water and tap water is monitored regularly across the group's plantations and employee facilities to ensure that the applicable biological oxygen demand ("BOD") and chemical oxygen demand ("COD") remain within the applicable regulatory standards. The group's mills operate a zero effluence policy, whereby no by-products resulting from the production of CPO or CPKO are discharged into local water courses. Air quality is tested regularly against set parameters, including levels of carbon monoxide and nitrogen dioxide, to ensure that it too remains within regulatory standards.

Production of CPO and CPKO uses high quantities of water, so this must be carefully managed to minimise waste and to reduce the risks associated with droughts during the dryer seasons. Water usage inevitably increases as FFB production increases, so the group has been working to improve the efficiency of water consumption in its mills and has developed a time bound plan with the objective of keeping water usage below 2.5m^3 per tonne FFB. All three of the group's mills were comfortably below this target in 2021, with overall water usage decreasing from 1.39m^3 per tonne in 2020 to 1.36m^3 per tonne in 2021. With continuing careful water management, further reductions are targeted for 2022.

GHG emissions from palm oil mill effluent ("POME") have reduced substantially following the installation in 2012 of the methane capture facilities at POM and COM. Such facilities utilise a substantial portion of the POME produced at POM and COM for the generation of renewable energy. POME that is not used for methane capture, including the POME from SOM, together with the digested POME residue from the methane capture facilities is pumped through a series of open ponds to reduce its BOD. Thereafter, it is used for land application in flat beds between rows of oil palm, allowing the remaining nutrient content to be used as a fertiliser. The BOD of the POME in the final open pond at each mill is subject to monthly testing by a third party to ensure that it remains within the legal standard for land application use.

Fertiliser application is optimised by analysing the nutrient content of systematically selected oil palm frond samples, supplemented by visual inspection of palm canopies and soil sampling. The analysis is conducted by an in-house agronomy team and verified by independent agronomy consultants. To overcome a nutrient deficiency detected in 2015, following some reductions from historic levels in annual inorganic fertiliser applications over the period 2012 to 2014, applications of inorganic fertilisers were returned to, and are now maintained at, their historic levels. The application of inorganic fertiliser increased between 2020 and 2021, from 26,232 tonnes (0.7 tonnes/hectare) to 32,360 tonnes (0.8 tonnes/hectare) owing partly to continuing high levels of FFB production and partly to the carry over of applications from the previous year due to very wet conditions at the end of 2020. Additionally, analysis of oil palm leaf and rachis (the midrib or spine of the frond) samples taken in 2020 indicated the need for moderately increasing the application of inorganic fertilisers in 2021.

The group seeks to optimise the quantity of organic and inorganic fertiliser that it applies and supplements inorganic applications with empty fruit bunches ("EFB"), a waste product from the mills. The application of EFB for mulching provides the palms with nutrients and the soil with organic matter which helps to retain moisture, promote beneficial soil biodiversity and fertility. Increasing the organic carbon content of soils in this way also improves their resilience to periods of dry weather which may otherwise initiate stress in the palms.

Through routine monitoring by the group's environment department of conditions within the plantation blocks, the group seeks to identify, and potentially improve, pest management through biological control in order to reduce the use of chemically based pesticides.

Employees

At the end of 2021, the group's workforce (which excludes non-executive directors) numbered 8,209 compared with

7,963 at the end of 2020. The increase over the year arose principally from the need to recruit additional field workers to catch up on the applications of organic compost and empty fruit bunches as extended periods of heavy rainfall had led to a backlog.

To optimise productivity, the group aims to ensure that employees at every level within the organisation are rewarded based on their performance. To ensure that the group's compensation levels remain competitive and in line with the current market practices, they are periodically benchmarked against local industry standards.

Performance of management staff is evaluated annually in relation to a pre-agreed set of quantitative and objective key performance indicators ("KPIs"). The reward system for all levels of employees is reviewed and refined regularly. Particular attention is paid to ensuring that compensation and benefits for harvesters, who are a key component of the group's workforce, are competitive and incentivise productivity. Monthly bonuses are awarded to harvesters who achieve certain graduated targets, with additional allowances paid for harvesting tall palms.

The group endeavours to provide competitive remuneration packages, opportunities for career development and a decent standard of living on the estates for employees and their families in order to attract and retain staff at all levels. This is particularly important given the remote location of the group's estates. Good quality housing and community facilities for employees are a priority, and employees are encouraged to support the group's ongoing programme of renovation and maintenance with regular awards for best kept homes and village emplacements. The group continues to build houses using "batako" bricks, which are produced in-house by mixing boiler ash from the mills with cement. Use of this material has significantly reduced both the cost and environmental footprint of new houses over the years. The village emplacements are provided with medical clinics, crèches, mosques, churches, sports facilities and markets.

Employee cooperative shops ("REA Mart"), established with the support of the group's community development department, serve the group's northern and southern estate areas, supplying everyday groceries and household items for the benefit of employees living in estate housing. The shops are able to bulk purchase and thereby source products competitively. REA Mart has continued to provide supplies throughout the period of the pandemic.

In 2008, the group established a foundation to manage the network of schools across the estates. These schools are authorised in accordance with government regulations. The foundation manages 27 schools, comprising 13 preschools, 13 primary schools and one secondary school. At the end of 2021, there were 2,669 students (515 preschool, 1,903 primary school and 251 secondary school children) enrolled in the group's school system. During the height of the Covid epidemic, learning in small groups and online successfully replaced classroom learning.

The group aims to maintain and improve management standards by facilitating the upward mobility of promising employees through its management training programme and by recruiting new graduates through its collaboration with local technical institutions. The group's central training school provides participants with 12 months of theoretical and practical training in all aspects of plantation management. Management trainees who successfully complete the training are appointed as assistants on the group's estates, in the mills and various administrative departments, such as technical services, sustainability and safety. Over the last 20 years, 414 trainees have participated in this programme and many of them are still employed by the group.

Help with career advancement is not restricted to the management training programme. To equip employees at every level with the skills and knowledge to perform effectively and to advance their careers, the group also runs an annual training programme for established employees. The programme is designed by the group's training manager, based on input received from every department, and consists of both in-house training and participation in external training and conferences. Externally facilitated training, coaching and workshops are also provided for senior managers to ensure the alignment of individual and corporate values, policies and priorities.

The group takes seriously its duty to protect and respect the human rights of any person affected by its operations and is committed to adhering to the core conventions of the International Labour Organisation's Fundamental Principles and Rights at Work, as well as Indonesian labour regulations and the provisions of the Modern Slavery Act 2015. The policy on human rights is displayed at every work site to communicate the group's commitments in this regard to employees at every level. This policy includes a commitment to promote diversity and equality in the workplace and states clearly that discrimination based on age, disability, ethnicity, gender, marital status, political opinion, race, religion or sexual orientation will not be tolerated. As at the end of 2021, 40 ethnicities and five religions were represented in the group's workforce.

The group pays careful attention to the gender balance within its workforce. At the end of 2021, female employees accounted for 23 per cent of the group's workforce, including 23 per cent of the management team.

	2021		2020	
Employee numbers	Male	Female	Male	Female
Directors	5	2	5	2
Management	64	19	58	13
Rest of workforce	6,232	1,893	6,087	1,804
Total	6,301	1,914	6,150	1,819

In furtherance of the group's policy on human rights and following an external consultation during 2021, the scope of the gender committee has been broadened with increased focus on diversity and inclusion. The committee's members comprise the head of human resources, senior managers and employees with relevant knowledge and expertise to advise on and help implement the group's policies that aim to ensure equality of opportunity and treatment at all levels in the group.

The group has committed to a code of conduct that was established in 2011 and embodies the group's anti-bribery and corruption policy as well as whistleblowing procedures. The whistleblowing procedure implemented for employees in Indonesia, where the majority of the workforce is based, is managed and facilitated by a professional independent third party firm.

During 2021, the human resources department continued to oversee the implementation of measures to mitigate the risks of Covid in accordance with Indonesian government guidelines and regulations. Working with the group's medical department, the group maintained appropriate policies and health protocols, including antibody and antigen testing, for employees, contractors and visitors to the group's sites. The group also provided and promoted vaccination through either the Indonesian Government programme, for those who are eligible, or a private vaccination programme funded by the group with the aim of securing vaccination for all employees and families living on the group's estates. By the end of 2021, all employees and many family members had been offered at least one vaccination. All employees and some family members had been offered a second dose by the end of February 2022 and third doses are now being administered. To date, Covid infections among the workforce have been at around 0.5 per cent, the majority with no serious symptoms as categorised by the Indonesian health department.

Management

Overall responsibility for the group's affairs resides with the group managing director, who is based in the UK. The president director of the group's principal operating subsidiary, REA Kaltim, together with three fellow directors of REA Kaltim, all of whom are based in Indonesia, has local responsibility for the group's operations in Indonesia, covering the estate operations, corporate affairs, ESG, commercial administration and finance.

As a foreign investor in Indonesia, the group is conscious that it is in essence a guest in Indonesia and an understanding of local customs and sensitivities is important. The group's ability to rely on senior Indonesian staff to handle its local interface is therefore a significant asset upon which the group continues to build. This asset is augmented by the support and advice that the group obtains from local advisers and from the local non-controlling investors in, and local commissioners of, the group's Indonesian subsidiaries.

Health and safety

The group continues to work towards achieving the Indonesian Health and Safety Work Management System ("SMK3") accreditation with the intention of securing this in 2022. Implementation of the international standards of Operational Health and Safety Management System ("ISO 45001:2018") was again delayed in 2021 as the required external trainers were not available due to Covid related international travel restrictions.

Monthly internal audits, inspections and training are conducted in accordance with ISO 45001:2018 standards in order to better understand, highlight and manage potential health and safety hazards that may occur. Routine training covers safe working practices throughout the operations, fire risks and management, and first aid.

Roads in and around the group's operations can be hazardous, particularly after heavy rain, so drivers of all vehicles are required to pass a company test for driving competency. Motorcycle safety training is also provided for employees and their family members as motorcycles are their standard mode of transport. Additionally, the group provides training on action in the event of natural disasters, the impact of which could potentially be significant given the remote location of the group's operations.

Occupational health and safety ("OHS") training increased in 2021 following a partial relaxation of the local government Covid prevention protocols. Total training hours across all of the group's operations increased from 2,650 in 2020 to 7,860 in 2021 with the focus on increasing general awareness of best practice and task based safe behaviours. Government mandated regulatory safety training also continued throughout the year for certified safety managers, vehicle and heavy equipment operators, users of pesticides, and first aid and fire prevention officers.

Safety performance saw a significant improvement in 2021 with the number of work accidents decreasing from 1,408 in 2020 to 656 in 2021. The number of working days lost due to work accidents also decreased from 13,822 in 2020 to 1,010 in 2021. There were no fatalities recorded across the group in 2021. The group treats any fatality within its premises extremely seriously and responds in the same way irrespective of whether or not the incident is considered to be work related. There is also a rigorous accident reporting and investigation procedure to ensure that the cause of any incident is properly identified, and senior management and operational teams implement any necessary remedial actions across the group to minimise the risk of repeat occurrences.

Healthcare provision is usually extremely limited in the remote rural areas in Indonesia, such as in the locations of the group's operations. The group has therefore established a network of 19 clinics to provide healthcare to employees, their family members and members of the local communities living in proximity to the group's operations. There is a team of two doctors, 16 paramedics, 13 midwives, one dentist and one pharmacist on site. All employees receive training in basic life support skills and staff at certain levels receive training in first aid. Employees are also provided with information on, and training to prevent, the ten most prevalent infectious diseases, such as dengue, haemorrhagic fever and typhoid fever, and female employees receive training in the early detection and prevention of cervical cancer.

Monthly immunisation programmes are provided for families, including against measles, mumps and rubella ("MMR") as well as polio in collaboration with external medical professionals as part of an Indonesian government programme. General and specific work related medical check-ups are also performed for employees, with a range of annual or semi-annual tests that include blood cholinesterase and spirometry or lung saturation tests for potential chemical and dust exposure, audiometry for noise exposure particularly in the mills and fabrication department, and workload endurance, fitness and ergometry for certain field workers, conducted in conjunction with the local Department of Employment. Employees who exhibit unsuitability for the requirements of their role are rotated into other, more suitable, roles. Random drug testing is conducted throughout the year across the group to discourage drug usage and addiction amongst employees and families resident on the group's estates.

Throughout 2021 the group adopted a rigorous testing, tracing and isolation regime at all operational sites and strict restrictions remained in place for visitors to the group's premises. In line with government guidelines, protocols were maintained to limit face to face interactions, to promote the use of face masks and encourage social distancing, regular hand washing and sanitation of work and communal facilities. These actions served to minimise the number of positive Covid cases with the first case only recorded on the estates in November 2020. For 2021, 666 positive Covid cases were identified and, to date, there have been 27 hospitalisations with all such identified cases making a full recovery. Implementation of the protocols is continuing with regular screening and testing so as to minimise transmission of infection. As noted under "Employees" above, to date, Covid infections among the workforce have been at around 0.5 per cent, the majority with no serious symptoms as categorised by the Indonesian health department.

The group's vaccination programme is continuing, as discussed under "Employees" above. 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, has upgraded the group's previous gold rating to a platinum rating in 2022.

Communities

Good relations and mutual respect between the group and the communities and smallholders impacted by its operations are of fundamental importance to the living conditions of the local communities and to the group's ability to operate sustainably and efficiently. Regular meetings take place between members of an experienced in-house team and representatives of these communities to establish, maintain and improve relationships, offering the opportunity to discuss and resolve concerns that may arise relating to the group's operations. Inevitably, during 2020 and 2021, Covid impacted the implementation of some initiatives but the constraints resulting from the pandemic have been well understood by the communities.

In addition to supporting smallholder farmers growing oil palm, the group also encourages these communities to become less dependent on oil palm cultivation by developing other businesses to diversify their food production and income with agricultural products, such as corn, vegetables and rice, and supporting them with the development of fishponds, irrigation of rice fields, and distribution of seeds.

The group is working with the local government and communities to develop a network of trained community groups to promote fire prevention and develop firefighting capabilities. In 2021, fire prevention and firefighting training courses were conducted in three local villages and courses are being extended to a further eight villages in 2022. The community groups are intended to encourage efforts to reduce the traditional reliance on fire for clearing village land and work in parallel with other group funded community development initiatives to promote forest and habitat conservation.

Under a recent government initiative, the group runs waste and recycling centres in the housing areas for each of its estates and mills. The centres collect waste from employees and their households and the waste is then collected by two local district bodies as part of the inorganic waste management programme sponsored by the regional Environment and Forestry Service. Households receive financial compensation based on the volume of waste deposited and the group benefits from the reduction in waste disposed of in landfill.

Land claims

Establishing an oil palm plantation in Indonesia can involve various land claims by communities as a result of overlaps between plantation land allocations and land customarily used by the communities. Not all land claims lodged by villagers are found to be legitimate and the village affairs department works to resolve any such claims effectively and transparently. Land rights claims against the group have decreased in recent years, from 27 claims in 2017 to a handful of claims in each year since. Of the five claims lodged in 2020, together relating to some 246 hectares, two were new claims that proved legitimate and were quickly resolved. On further investigation of the remaining three claims during 2021, two were determined not to be legitimate and the remaining legitimate claim over 0.5 hectares was resolved. All claims are resolved with the involvement of local government authorities and the respective claimants.

Community resources

Over the last 20 years, the group has invested considerable time and effort to ensure that its operations do not negatively impact local communities but rather contribute to their livelihoods. This has evolved into schemes designed to ensure that local communities share in the benefits generated by the group's operations without being dependent upon them. Initiatives include maximising employment opportunities for local people, supporting and improving local businesses, expanding smallholder schemes and investing in infrastructure projects that will catalyse further development. In supporting projects, the group recognises the importance of local villages having control over the management and maintenance of their own resources.

Water treatment facilities installed by the group already provide 17 local villages with access to clean drinking water. Additionally, renewable energy generated by the group and distributed through the infrastructure of the Indonesian government's energy company, PLN, is made available to 26 villages in the vicinity of the group's operations. Within these villages, 7,801 households have so far opted to install the prepay meters supplied by PLN.

In 2022, to further expand community driven projects, the group has started to work with an independent delivery partner, the local government and local communities with the aim of establishing public-private 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.

Smallholders

The group supports oil palm smallholders in the surrounding communities by way of three smallholder schemes: "Program Pemberdayaan Masyarakyat Desa" ("PPMD"), "Plasma" and independent smallholders. These schemes, and the purchase by the group of FFB from smallholder cooperatives, create mutually beneficial relationships, contribute to local employment and are supported by training in better, more sustainable, agricultural practices.

The group started working with smallholders in 2001 under the "Smallholder Farmers Program" which became the PPMD scheme in 2005. Under this scheme, the group supports 14 cooperatives of local people with access to land to cultivate oil palm by providing them with oil palm seedlings, fertilisers, herbicides and technical assistance. The costs of the inputs provided are repaid by the members of these cooperatives, interest free, through deductions made when their FFB is sold to the group's palm oil mills. By 2021, only two loans from the group to PPMD cooperatives remained outstanding.

Plasma smallholder schemes are established for the benefit of the communities that surround the group's plantations, as part of the group's obligation of responsible development of new land for oil palm, in accordance with regulations introduced by the Indonesian government in 2007. Plasma schemes are not required for the group's estates that were established prior to 2007 but, in the interests of equitable treatment, the group has committed to develop plasma cooperatives for villages with land areas adjacent to the group's land allocations developed prior to 2007.

Plasma schemes differ from PPMD in their financing and management. Plasma schemes established to date have been financed by loans to the cooperatives from the group and local development banks. The cooperatives themselves are not responsible for, or involved in, the management of the plasma plantations, but rather the group manages these areas in return for a pre-agreed management fee. The cooperatives receive an income derived on an agreed basis by reference to the value of FFB harvested in accordance with government regulations. The development of oil palm plantations under a plasma scheme can take longer to organise than the development of PPMD or group estates, due to the more complex nature of the funding, legal aspects and management of these areas. Before development begins, it is critical that members of each cooperative fully understand how plasma schemes work, including the cost of cultivating oil palm, the terms of the financial agreements with the group or bankers to the schemes and the predicted income over time to the members of each cooperative. The group currently works with seven plasma cooperatives, which are now receiving regular monthly income from sales of FFB to the group.

Total active smallholder areas delivering FFB to the group amounted to 11,052 hectares at 31 December 2021, equivalent to 31 per cent of the planted areas of the group's own estates of 36,016 hectares.

Smallholder plantings (hectares)	2021	2020
Plasma	4,034	4,034
Independent smallholders	6,011	9,523
PPMD	1,007	1,531
Total	11,052	15,088

The group has continued to address the traceability of its FFB supply chain to ensure traceability to source for external FFB that is processed in the group's mills. Mapping of smallholdings supplying FFB to the group's mills has been completed and the group now has a database of all smallholder land within the group's supply base. FFB suppliers are registered through their local cooperatives and each delivery to the group's mills is recorded and its origin verified. This data is also used for analysis in connection with the group's programme of support to local farmers with field and management training in a drive to improve their productivity, fruit quality and sustainable practices. Training programmes for independent smallholders continued throughout 2021, notwithstanding the limitations of Covid, with 567 independent smallholders from six cooperatives receiving technical training in oil palm cultivation.

The group currently purchases FFB from 14 PPMD cooperatives, seven plasma scheme cooperatives and ten independent smallholder cooperatives. Together they accounted for 23 per cent of the FFB processed in the group's mills and provided revenue to the cooperatives equivalent in total to $33.3 million in 2021.

FFB purchased (tonnes)*	2021	2020
Plasma	62,159	63,347
Independent smallholders and PPMD	148,811	142,156
Total	210,970	205,503
Revenue ($ millions)	33.3	23.1

* Excluding purchases from third party corporates

The reduction in 2021 in independent smallholder areas is mainly the result of the introduction by the group of an active directory for smallholder suppliers. Any producer not delivering FFB to a group mill for a period of 90 days (which may be because their land is not productive) or delivering FFB that does not meet the group's quality standards may be suspended from the directory. The group continues to actively manage its relationship with smallholders to ensure that the group offers a competitive market for their FFB that also fulfils the group's traceability and quality requirements and ensures that the group sources sufficient quantities to optimise throughput in the mills.

The group is also working with an international funding body to establish a financing mechanism that would enable smallholder farmers to access funds for intensifying their oil palm yields and developing alternative revenue streams. The objective is to reduce pressure on the remaining forest areas outside the group's concession areas as well as to improve the traceability of the FFB supply chain. A pilot project was established in 2021 to demonstrate the effectiveness of this approach and 150 local smallholders in two local villages have currently received training in best management practices for oil palm to help improve yields and FFB quality. Training is being rolled out to other local villages in 2022 with the replanting of three smallholder demonstration plots due to commence in the second quarter.

Conservation

Plantation development in the tropics has the potential to alter local biodiversity and natural ecosystem functions. The group therefore believes that operational requirements for oil palm cultivation, that include land clearing, maintenance, harvesting, processing and delivery, should be guided by conservation principles designed to avoid or mitigate negative impacts and augment positive steps to restore or enhance original landscape level biological diversity. Currently a total of approximately 20,000 hectares have been set aside as conservation reserves within the group's titled land bank, accounting for over 25 per cent of the group's land areas.

The group takes seriously its responsibility to conserve and, where possible, restore or rewild the natural landscape in and around the group's operations. The group's conservation department ("REA Kon") was established in 2008 and aspires to exceed, rather than just meet, all the requirements of the sustainability bodies by which the group is certified. REA Kon is organised into three functional areas: plantation ecology (evaluating the long term ecological relationships between planted blocks and conservation reserves); biodiversity management (understanding trends within and conservation management of natural species of the landscape); and communities and forests (collaboration with local communities in the conservation management of the group's designated conservation reserves, including HCV areas).

To address and mitigate the impacts of climate change, REA Kon is expanding the restoration or rewilding of degraded sites, including tree planting, across all of the group's properties. The REA Kon nursery maintains a stock of some 4,600 seedlings for rewilding projects and, in 2021, more than 2,700 individual native fruit and timber trees were planted out in the conservation reserves, estate village emplacements and as gifts to local communities. Enrichment of degraded areas and increased carbon capture as forested conservation areas mature will lead to increasing carbon sequestration. Observational data gathered during 2021 demonstrates that the group's endeavours as respects conservation, which encompasses a mixed use landscape, have assisted in the survival and enhancement of a significant portion of the original biodiversity of the area.

REA Kon maintains a permanent database ("Triage") of species richness, distribution and abundance with special emphasis on the status of any species of fauna or flora listed as Critically Endangered or Endangered by the International Union for Conservation of Nature. Any species not recorded in previous years is identified and its location entered into the database. In 2021, a total of 43 mammal, 141 bird, 35 reptile, and 30 amphibian species, as well as 33 species of Lepidoptera (butterflies) were identified.

Critically Endangered [CR] and Endangered [EN] species recorded by trail camera or incidental observation in 2021 include:

- Orangutans (*Pongo pygmaeus morio*) [CR] were found to have an estimated minimum population of 20 individuals comprising five adult males, seven adult females, four subadults and four infants in six different conservation reserves around the group's estates
- Sunda pangolin (*Manis javanica*) [CR] identified across five separate site
- Bornean Gibbons (*Hyllobates muelleri*) [EN] observed in six separate sites
- Proboscis monkeys (*Nasalis larvatus*) [EN] consistently observed throughout the year at one wetland site at five locations
- Flat Headed Cat (*Prionailurus planiceps*) [EN], a carnivore observed, after an absence of several years, adjacent to the REA Kon field station
- Borneo Bay Cat [CR], Marbled Cat [EN] and Sunda Clouded Leopard [EN], all rarely observed carnivores.

A total of 17 previously unrecorded bird species were noted in 2021, including the Endangered White Crowned Hornbill and Vulnerable Great Argus (Pheasant). Monthly point counts for birds across specific sites in the group's conservation reserves demonstrate a steady increase in species richness and suggest that a higher number of species can be expected with additional inventories. Recording and monitoring of butterfly species also provides information on the ecological health of the landscape. Eight species were newly added for *Lepidoptera* in 2021.

Phenology monitoring as prescribed by the Forestry Ministry in permanent measurement plot transects revealed at least four Endangered tree species in 2021, including the Critically Endangered timber species, "Kayu Resak" (*Venula venulosa*). REA Kon collects fruits or seedlings of all such Endangered tree species for regeneration in its nursery and replanting in its restoration and rewilding sites. REA Kon has also cultivated and replanted large numbers of economically valuable Ironwood (*Eusideroxylon zwageri*) and several other valuable timber species such as "Red Balang" (*Shorea balangeran*).

Working with the Provincial Government's Natural Resource Protection Agency (BKSDA), the REA Kon community team conducts joint socialisation projects for the group's employees and local villagers. Although the activities of the outreach teams were again limited by Covid during 2021, communication was maintained through the distribution of conservation leaflets and posters. The community team has been requested by one of the largest local villages to provide a long-term collaboration in conservation education and management.

Managing encroachment into conservation reserves poses a significant risk to the viability of endangered species and their forest habitats. REA Kon monitors the boundaries of its conservation reserves which are clearly marked with signboards to identify their status as protected sites. Joint patrols of forest conservation areas are conducted with the Forestry Service, Land Compensation and Claim Department to monitor and swiftly respond to illegal intrusion into conservation areas. The group also has access to the Satelligence system which generates bi-weekly updates to an online platform for monitoring the status of forest cover and land clearing activities within and around the group's estates. This facilitates rapid investigation of illegal activities within the estates and smallholder areas that may be damaging to the environment. Any encroachment is investigated and, as necessary, processed by local government authorities.

REA Kon maintains an automated weather station for monitoring temperature, humidity and rainfall for potential impacts on local biodiversity. It also checks water quality levels (pH, temperature, conductivity and totally dissolved solids) which are recorded in four watersheds in the group's forested conservation reserves to ensure that water resources remain free of contamination.

Finance

Accounting policies

The group continues to report in accordance with UK adopted International Financial Reporting Standards and the company continues to report under Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101"). Both the group and the company continue to present their financial statements in dollars.

There have been no changes to the group's accounting policies as a consequence of new standards and amendments that are mandatorily effective for accounting periods beginning on or after 1 January 2021 as they do not impact the disclosures or amounts reported by the group.

FRC review of 2020 annual report

The Financial Reporting Council ("FRC") reviewed the company's annual report and accounts to 31 December 2020 in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures and queried inconsistencies in the reported amounts for items recognised in total comprehensive income. In response, the company performed a detailed review of its 2020 financial statements and as a result, the company has restated certain amounts in the comparative results in this 2021 annual report so as to aid the understanding of users of these financial statements. None of the restatements has affected the 2020 loss before tax or total equity.

Group results

Group revenue, operating profit and profit before tax for 2021 (with comparative figures for 2020), were as follows:

	2021 $'m	2020 $'m
Revenue	191.9	139.1
Operating profit	48.1	8.8
Profit / (loss) before tax	29.2	(23.2)

Revenues increased by 38 per cent in 2021 compared with 2020 with higher average selling prices offsetting slightly lower (2 per cent) CPO sales volumes. As noted under "Crops and extraction rates" in "Agricultural operations" above, harvesting and evacuation of crop were negatively affected by unusually high rainfall and number of rain days and some crop was lost due to harvesting delays caused by the mid-year fire in one of the two POM boilers. Average prices realised by the group for CPO and CPKO including premia for certified oil, but net of export levy and duty, adjusted to FOB Samarinda were, respectively, $777 (2020: $566) per tonne and $1,157 (2020: $615) per tonne.

Cost of sales reported for 2021 was made up as follows (with comparative figures for 2020):

	2021 $'m	2020 $'m
Estate operating costs	69.6	59.4
Purchase of external FFB	33.3	23.1
Depreciation and amortisation	27.7	28.0
Stock movements (at historic cost)	1.8	(0.3)
	132.4	110.2

Estate operating costs were some 17 per cent higher in 2021 than in 2020. Contributory factors were the increased application of fertiliser compared to 2020, in part reflecting late application of fertiliser originally scheduled to be applied in 2020, and extra costs arising from the unsually high rainfall and resultant evacuation challenges as referred to above. The purchase cost of external FFB reflected the effect of higher CPO prices with volume only slightly higher than in 2020 (210,978 tonnes in 2021 compared with 205,544 tonnes in 2020).

Administrative costs reported for 2021 were made up as follows (with comparative figures for 2020):

	2021 $'m	2020 $'m
(Profit) / loss on disposal of property, plant and equipment	(0.1)	0.5
Indonesian operations	11.3	13.9
Head office	2.6	3.7
	13.8	18.1
Amount capitalised	(0.3)	(1.6)
	13.5	16.5

The total of $13.8 million, before deduction of amounts capitalised as costs of immature planting, represented a reduction of some $4.3 million on the administrative costs of the preceding year. Of this reduction, $2.7 million represented a credit in the Indonesian operations in respect of future retirement benefit obligations following a change in labour legislation in Indonesia. Head office costs benefited from a one-off credit of $1.0 million on write back of certain provisions made in prior years. As the cost for such provisions was then incurred in Indonesia, there was no saving to the group as a whole. As a result of the reduction in the proportion of total planted areas represented by immature plantings, the capitalisation percentage was reduced as compared with 2020.

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") amounted to $75.8 million, a $39.0 million improvement on the 2020 comparative of $36.8 million. As anticipated at the time of publication of the 2021 interim report, and as in previous years, the EBITDA of the second half at $48.1 million was significantly better than that of the first half of $27.7 million. This reflected the normal weighting of the group's crops to the second half and better selling prices in the second half of 2021.

Finance costs for 2021 totalled $20.4 million compared with $23.1 million in 2020. Comparison of these amounts is distorted by exchange movements (arising in relation to sterling and rupiah borrowings) which resulted in a gain of $1.2 million compared to a loss of $0.3 million in 2020. The finance costs for 2021 include a charge of $1.4 million relating to abortive advisory costs incurred in respect of the reorganisation of the group's Indonesian bank borrowings while, for 2020, finance costs included $2.2 million arising on the extension of the repayment date of the £30.9 million 8.75 per cent sterling notes (the "sterling notes") from 2020 to 2025.

Profit before taxation for 2021 was $29.2 million, compared to a loss of $23.3 million reported in 2020. The result for 2020 was struck after writing off impairment and other charges of $9.5 million but even adjusting for that the outturn for 2021 represents a welcome improvement.

The tax charge for 2021 of $19.9 million was inflated by various factors. Of these, the most material related to adjustments to deferred tax. As reported in the 2020 annual report, corporation tax rates in Indonesia were scheduled to reduce from a previous level of 25 per cent, through 22 per cent in 2021 and to 20 per cent from 2022 onwards. Deferred tax assets and liabilities were calculated on this basis at 31 December 2020 resulting in a significant deferred tax credit in 2020. The Indonesian government has now decided that the previously announced reduction to 20 per cent will not go ahead and, therefore, the deferred tax liabilities have again been recomputed. This, combined with an exchange loss relating to deferred tax and a reduction in deferred tax assets following utilisation of tax losses, resulted in a deferred tax charge for 2021 of $10.9 million. Although the utilisation of tax losses does not benefit the tax charge, the use of such losses does mean that less taxation is payable as cash.

The 2021 tax charge was also inflated by prior year charges totalling $3.0 million following agreement with the Indonesian tax authorities of most prior year tax liabilities.

Dividends

The semi-annual dividends on the company's preference shares that fell due on 30 June and 31 December 2021 were duly paid together, in the latter case, with 1p per share of the cumulative arrears of preference dividends.

The directors expect the semi-annual dividends on the company's preference shares arising during 2022 and 2023 to be paid as they fall due. In addition, the directors intend that the company should pay not less that 10p of the remaining cumulative arrears of preference dividend (which amount to 17p per share) on or before 31 December 2022 and the balance of those arrears during 2023. The extent to which an element of the intended payment of arrears during 2022 is made prior to 31 December 2022 will be decided by the directors after determination of the company's final liability for purchase on 30 June 2022 of the company's 7.5 per cent dollar notes 2026 (as referred to under "Capital structure" below).

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

Capital structure

The group is financed by a combination of debt and shareholder funds. Total shareholder funds less non-controlling interests at 31 December 2021 amounted to $225.6 million as compared with $226.8 million at 31 December 2020. Non-controlling interests at 31 December 2021 amounted to $20.8 million (2020: $19.0 million).

During 2021 the group successfully reorganised its Indonesian bank borrowings from PT Bank Mandiri (Persero) Tbk ("Mandiri") . As a result, the Indonesian rupiah loans and facilities previously provided by Mandiri to REA Kaltim, SYB and KMS have been replaced with new Indonesian rupiah loans and facilities of longer tenor carrying interest at lower rates (as further detailed below). In addition, in December 2021, Mandiri provided CDM with a short term Indonesian rupiah working capital facility. The new loans and facilities provided to REA Kaltim, SYB and KMS are secured similarly to the loans and facilities that these replaced.

In September 2021 repayments totalling $0.9 million were made to the non-controlling interests and the loans from related party of $4.1 million were also repaid.

Following these developments, group indebtedness at 31 December 2021 amounted to $222.6 million against which the group held cash and cash equivalents of $46.9 million. The composition of the resultant net indebtedness of $175.7 million was as follows:

	$'m
Dollar notes ($27.0 million nominal)*	27.0
Sterling notes (£30.9 million nominal)**	42.5
Loans from non-controlling shareholder	16.2
Indonesian term bank loans*	131.6
Drawings under working capital facility	5.3
	222.6
Cash and cash equivalents	(46.9)
Net indebtedness	175.7

* Net of issue costs

** Net of issue costs plus $1.2 million present value of premium on redemption

The group has no material contingent indebtedness save that, in connection with the development of oil palm plantings owned by village cooperatives and managed by the group, the group has, as noted under "Communities and smallholders" in "Sustainability" above, guaranteed the Indonesian rupiah bank borrowings of the cooperatives concerned. The outstanding balance of these borrowings at 31 December 2021 was equivalent to $4.8 million.

The dollar notes are unsecured obligations of the company which were, at 31 December 2021, repayable in a single instalment on 30 June 2022. Proposals to extend the redemption to 30 June 2026 were approved by noteholders on 2 March 2002 and became effective upon execution on 3 March 2022 of a deed supplemental to the trust deed constituting the notes. In consideration of noteholders sanctioning the extension of the redemption date, the company paid each noteholder a consent fee equal to 0.25 per cent of the nominal amount of dollar notes held by such holder. Pursuant to the proposals, the company has undertaken to procure that its wholly owned subsidiary, R.E.A. Services Limited ("REAS"), purchases at par, on 30 June 2022, the dollar notes held by any noteholder who has indicated by no later than 31 May 2022 that they do not wish to retain their notes beyond 30 June 2022 and for which the company's brokers have been unable to arrange buyers on terms acceptable to such noteholder. REAS intends to sell, over time, any dollar notes acquired by it.

The sterling notes are issued by REA Finance B.V., a wholly owned subsidiary of the company, are guaranteed by the company and REAS, and are secured almost wholly on an unsecured loan made by REAS to an Indonesian plantation operating subsidiary of the company. The sterling notes are now repayable in a single instalment on 31 August 2025 at a premium of £4 per £100 of notes.

Indonesian bank borrowings at 31 December 2021 comprised rupiah denominated loans provided by Mandiri to REA Kaltim, SYB and KMS and the rupiah denominated working capital facility provided by Mandiri to CDM. In addition, at 31 December 2021, there were undrawn rupiah denominated working capital facilities provided by Mandiri to REA Kaltim and SYB equivalent to $2.1 million and $1.1 million respectively, and Mandiri had agreed to advance a further Indonesian rupiah denominated term loan to SYB (recently drawn) equivalent to $6.3 million on completion of the SOM extension.

The REA Kaltim loan is secured on certain assets of REA Kaltim and is guaranteed by the company. The outstanding balance of the loan at 31 December 2021 was the equivalent of $80.2 million. The loan is repayable as follows: 2022: $7.8 million, 2023: $10.3 million, 2024–2026: $35.4 million and thereafter $26.7 million. The working capital facility of $2.1 million is subject to annual renewal.

The SYB loan drawn at 31 December 2021 and the further loan, recently drawn, are secured on certain assets of SYB and are supported by a guarantee from the company. The outstanding balance of the loan at 31 December 2021 was the equivalent of $32.6 million. That balance is repayable as follows: 2022: $2.4 million, 2023: $2.6 million, 2024–2026: $10.6 million and thereafter $17.0 million. The further loan of $6.3 million is repayable as follows: 2022: $0.4 million, 2023: $2.0 million, 2024–2026: $0.5 million and thereafter $3.4 million. The working capital facility of $1.1 million is subject to annual renewal.

The KMS loan is secured on certain assets of KMS and is guaranteed by the company. The outstanding balance of the loan at 31 December 2021 was the equivalent of $25.6 million. The loan is repayable as follows: 2022: $2.8 million, 2023: $2.8 million, 2024–2026: $9.1 million and thereafter $10.9 million.

CDM's working capital facility was the equivalent of $5.3 million and was repaid in January 2022.

The company has shareholder authority to buy back limited numbers of ordinary shares into treasury with the intention that, once a holding of a reasonable size has been accumulated, the holding be placed with one or more investors. No acquisitions pursuant to this authority were made in 2021, but 132,500 ordinary shares have been previously acquired and remain held in treasury.

Group cash flow

Group cash inflows and outflows are analysed in the consolidated cash flow statement. Cash and cash equivalents increased during 2021 from $11.8 million to $46.9 million.

As noted under "Group results" above, the operating profit for 2021 amounted to $48.1 million compared to $8.8 million in the prior year. After adjusting for depreciation, amortisation and other non-cash items ($23.7 million) and a decrease in working capital ($7.8 million), cash generated by operations was $64.0 million (2020: $53.6 million).

There were $7.6 million of net taxes paid during the year (2020: $0.9 million). Interest paid amounted to $19.6 million (2020: $19.2 million).

Investing activities for 2021 involved a net outflow of $10.7 million (2020: $20.3 million). This represented new investment of $17.2 million (2020: $14.7 million) offset by interest received and proceeds on disposal of property, plant and equipment of $4.0 million (2020: $1.6 million) and a net recovery of $2.4 million in respect of the stone and coal interests (2020: expenditure of $7.2 million). The new investment comprised expenditure of $13.5 million (2020: $10.8 million) on further development of the group's agricultural operations and $3.8 million (2020: $3.9 million) on land rights and titling.

The net recovery in respect of stone and coal interests was funded by recovery of $5.8 million costs following the dismissal, in an arbitration in Singapore, of claims that had been made against IPA and the group and the award of costs on an indemnity basis to IPA.

Finance
continued

The net cash inflow from financing activities amounted to $9.7 million (2020: outflow $10.6 million) made up as follows:

	2021 $'m	2020* $'m
Preference dividends paid	(9.8)	–
Repayment to / new borrowings from related party	(4.1)	4.0
Repayments to non-controlling shareholder	(0.9)	(6.3)
Equity investment from non-controlling shareholders	–	8.7
Net movement bank borrowings	27.0	(13.5)
Net change in other borrowings	(2.5)	(3.5)
	9.7	(10.6)

* Restated – see note 37

Liquidity and financing adequacy

Significantly higher CPO prices, production maintained at acceptable levels and finances restored to a firmer footing meant that 2021 was a transformative year for the group. With increased operating cashflows of $71.8 million before working capital movements (against $37.7 million in 2020), there was a closing cash balance of $46.9 million at 31 December 2021.

Although, as noted under "Crops and extraction rates" in "Agricultural operations" above, group FFB production for the three months to 31 March 2022 was 151,523 tonnes compared to 192,222 in the equivalent period in 2021, this mainly reflected the heavy rainfall during the period and consequent evacuation problems. Recent investment in augmenting the group's transport fleet is expected to improve evacuation and the directors do not expect that 2022 FFB crops will fall short of those of 2021. Moreover, average CPO and CPKO prices for 2022 to date have been comfortably above those achieved in 2021 and there is a reasonable expectation that vegetable oil prices will remain firm.

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

The group does face significant potential inflation in costs, particularly in relation to fertiliser, but nevertheless expects to benefit from strong cash generation in its operations during 2022. Against this, there will be substantial demands on cash to fund capital expenditure, debt repayments, and dividends and arrears of dividend on the company's preference shares. Capital expenditure will be at a higher level in 2022 than in 2021 and will be concentrated on extension planting and replanting, augmenting the group's transport fleet and housing stock and applying stone to the group's extensive road network to improve the durability of roads in periods of heavy rain. Repayments of bank borrowings during 2022 are scheduled to amount in total (including repayment of the CDM working capital facility of $5.3 million) to $17.0 million but will be offset by drawing of the additional SYB loan of $6.3 million, referred to under "Capital structure" above. As noted under "Dividends" above, the company intends to pay the preference dividends arising in 2022 of 9p per share together with not less than 10p per share of arrears of dividends. At the current exchange rate of £1 = $1.30, this payment of arrears will involve an outlay of $9.4 million.

The company has undertaken to procure that REAS purchases at par, on 30 June 2022, the dollar notes held by any noteholder who has indicated by no later than 31 May 2022 that they do not wish to retain their notes beyond 30 June 2022 and for which the company's brokers have been unable to arrange buyers on terms acceptable to such noteholder. While REAS intends to sell, over time, any dollar notes so acquired by it, pending such resale, the group will have to fund the cash expended by REAS in purchasing dollar notes. There are currently $27.0 million nominal of dollar notes in issue. The group has received an undertaking from one existing holder of $3.0 million nominal of the notes that it will retain that holding and will be willing to purchase a further $6.0 million nominal of notes. Holders of a further $12.0 million nominal of notes have indicated that they expect to retain their notes. Accordingly, the group does not expect that the funding required to bridge the purchase of notes by REAS will exceed $6.0 million.

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

Whilst the group still has substantial debt obligations, with the positive outlook for its operation and greater clarity in its financing arrangements, the group can look forward to further strengthening of its financial position during 2022 with some reduction over the year in its net indebtedness

The group's oil palms fruit continuously throughout the year, but crops are generally weighted to the second half of each year. This results in some seasonality in the funding requirements of the agricultural operations with cash generation greater in the second half of the year than the first. It is not expected that development of the stone and coal interests will cause any material swings in the group's utilisation of cash for the funding of its routine activities.

Financing policies

The directors believe that, in order to maximise returns to holders of the company's ordinary shares, a proportion of the group's funding needs should be met with prior ranking capital, namely borrowings and preference share capital. The latter has the particular advantage that it represents relatively low risk permanent capital and, to the extent that such capital is available, the directors believe that it is to be preferred to debt.

Whilst the directors retain the above stated policy regarding borrowings, they recognise that the current level of the group's borrowings is too high and will aim to reduce debt to the extent that cash generation permits. Net debt is 71.3 per cent of total shareholder funds at 31 December 2021 compared with a level of 77.0 per cent at 31 December 2020. The total net debt at 31 December 2021 amounted to $175.7 million compared with the position at 31 December 2020 of $189.4 million.

The sterling notes and the dollar notes carry interest at fixed rates of, respectively, 8.75 and 7.5 per cent per annum (the sterling notes are now also entitled to a 4 per cent premium on final redemption). Following recent rate reductions, interest is payable on rupiah bank borrowings by REA Kaltim, SYB and KMS at fixed rates of 8.25 per cent. A one per cent increase in the floating rates of interest payable on the group's floating rate borrowings at 31 December 2021 would have resulted in an additional annual cost to the group of approximately $0.4 million (2020: $0.1 million).

The group regards the dollar as the functional currency of most of its operations. The directors believe that the group will be best served going forward by simply maintaining a balance between its borrowings in different currencies and avoiding currency hedging transactions. Accordingly, the group regards some exposure to currency risk on its non- dollar borrowing as an inherent and unavoidable risk of its business. The group has never covered, and does not intend in future to cover, the currency exposure in respect of the component of the investment in its operations that is financed with sterling denominated shareholder capital.

The group's policy is to maintain a cash balance in sterling sufficient to meet its projected sterling expenditure for a period of between six and twelve months and a cash balance in rupiah sufficient to cover its forthcoming rupiah debt service obligations and short term rupiah denominated operating expenditure.

Principal risks and uncertainties

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

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

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

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

Climate change represents an emerging risk both for the potential impacts of the group's operations on the climate and the effects of climate change on the group's operations. The group has been monitoring and working to minimise its GHG emissions for over ten years, with levels of GHG emissions an established key performance indicator for the group and for accreditation by the independent certification bodies to which the group subscribes. In addition to reporting on energy consumption and efficiency in accordance with the UK Government's SECR framework, the group also includes disclosures in accordance with the TCFD recommendations in this 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" above. Where risks are reasonably capable of mitigation, the group seeks to mitigate them. Beyond that, the directors endeavour to manage the group's finances on a basis that leaves the group with some capacity to withstand adverse impacts from both identified and unidentified areas of risk, but such management cannot provide insurance against every possible eventuality.

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

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

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

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

Risk	Potential impact	Mitigating or other relevant considerations
Agricultural operations		
Climatic factors		
Material variations from the norm in climatic conditions	A loss of crop or reduction in the quality of harvest resulting in loss of potential revenue	Over a long period, crop levels should be reasonably predictable
Unusually low levels of rainfall that lead to a water availability below the minimum required for the normal development of the oil palm	A reduction in subsequent crop levels resulting in loss of potential revenue; the reduction is likely to be broadly proportional to the cumulative size of the water deficit	Operations are located in an area of high rainfall. Notwithstanding some seasonal variations, annual rainfall is usually adequate for normal development
Overcast conditions	Delayed crop formation resulting in loss of potential revenue	Normal sunshine hours in the location of the operations are well suited to the cultivation of oil palm
Low levels of rainfall disrupting river transport or, in an extreme situation, bringing it to a standstill	Inability to obtain delivery of estate supplies or to evacuate CPO and CPKO (possibly leading to suspension of harvesting)	The group has established a permanent downstream loading facility, where the river is tidal. In addition, road access between the ports of Samarinda and Balikpapan and the estates offers a viable alternative route for transport with any associated additional cost more than outweighed by avoidance of the potential negative impact of disruption to the business cycle by any delay in evacuating CPO and CPKO
Cultivation risks		
Failure to achieve optimal upkeep standards	A reduction in harvested crop resulting in loss of potential revenue	The group has adopted standard operating practices designed to achieve required upkeep standards
Pest and disease damage to oil palms and growing crops	A loss of crop or reduction in the quality of harvest resulting in loss of potential revenue	The group adopts best agricultural practice to limit pests and diseases
Other operational factors		
Shortages of necessary inputs to the operations, such as fuel and fertiliser	Disruption of operations or increased input costs leading to reduced profit margins	The group maintains stocks of necessary inputs to provide resilience and has established biogas plants to improve its self-reliance in relation to fuel with construction of a further biogas plant now planned to increase self-reliance and reduce costs as well as GHG emissions
High levels of rainfall or other factors restricting or preventing harvesting, collection or processing of FFB crops	FFB crops becoming rotten or over ripe leading either to a loss of CPO production (and hence revenue) or to the production of CPO that has an above average free fatty acid content and is saleable only at a discount to normal market prices	The group endeavours to employ a sufficient complement of harvesters within its workforce to harvest expected crops, to provide its transport fleet with sufficient capacity to collect expected crops under likely weather conditions and to maintain resilience in its palm oil mills with each of the mills operating separately and some ability within each mill to switch from steam based to biogas or diesel based electricity generation
Disruptions to river transport between the main area of operations and the Port of Samarinda or delays in collection of CPO and CPKO from the transhipment terminal	The requirement for CPO and CPKO storage exceeding available capacity and forcing a temporary cessation in FFB harvesting or processing with a resultant loss of crop and consequential loss of potential revenue	The group's bulk storage facilities have sufficient capacity for expected production volumes and further storage facilities are afforded by the fleet of barges; together, these have hitherto always proved adequate to meet the group's requirements for CPO and CPKO storage and can be expanded to accommodate anticipated increases in production
Occurrence of an uninsured or inadequately insured adverse event; certain risks (such as crop loss through fire or other perils), for which insurance cover is either not available or is considered disproportionately expensive, are not insured	Material loss of potential revenues or claims against the group	The group maintains insurance at levels that it considers reasonable against those risks that can be economically insured and mitigates uninsured risks to the extent reasonably feasible by management practices

Principal risks and uncertainties

continued

Risk	Potential impact	Mitigating or other relevant considerations
Produce prices		
Volatility of CPO and CPKO prices which as primary commodities may be affected by levels of world economic activity and factors affecting the world economy, including levels of inflation and interest rates	Reduced revenue from the sale of CPO and CPKO and a consequent reduction in cash flow	Swings in CPO and CPKO prices should be moderated by the fact that the annual oilseed crops account for the major proportion of world vegetable oil production and producers of such crops can reduce or increase their production within a relatively short time frame
Restriction on sale of the group's CPO and CPKO at world market prices including restrictions on Indonesian exports of palm products and imposition of high export charges	Reduced revenue from the sale of CPO and CPKO and a consequent reduction in cash flow	The Indonesian government applies sliding scales of charges on exports of CPO and CPKO, which are varied from time to time in response to prevailing prices, and has, on occasions, placed restrictions on the export of CPO and CPKO; in recent years, export charges and restrictions have always allowed producers economic margins. The export levy charge funds biodiesel subsidies and thus supports the local price of CPO
Distortion of world markets for CPO and CPKO by the imposition of import controls or taxes in consuming countries	Depression of selling prices for CPO and CPKO if arbitrage between markets for competing vegetable oils proves insufficient to compensate for the market distortion created	The imposition of controls or taxes on CPO or CPKO in one area can be expected to result in greater consumption of alternative vegetable oils within that area and the substitution outside that area of CPO and CPKO for other vegetable oils
Expansion		
Failure to secure in full, or delays in securing, the land or funding required for the group's planned extension planting programme	Inability to complete, or delays in completing, the planned extension planting programme with a consequential reduction in the group's prospective growth	The group holds significant fully titled or allocated land areas suitable for planting. It works continuously to maintain permits for the planting of these areas and aims to manage its finances to ensure, in so far as practicable, that it will be able to fund any planned extension planting programme
A shortfall in achieving the group's planned extension planting programme negatively impacting the continued growth of the group	A possible adverse effect on market perceptions as to the value of the group's securities	The group maintains flexibility in its planting programme to be able to respond to changes in circumstances
Climate change		
Changes to levels and regularity of rainfall and sunlight hours	Reduced production	A negative effect on production would similarly affect many other oil palm growers in South East Asia leading to a reduction in CPO and CPKO supply, which would be likely to result in higher prices for CPO and CPKO in turn providing at least some offset against reduced production
Increase in water levels in the rivers running though the estates	Increasing requirement for bunding or loss of plantings in low lying areas susceptible to flooding	Less than ten per cent of the group's existing plantings are in low lying or flood prone areas. These areas are being bunded, subject to environmental considerations
Environmental, social and governance practices		
Failure by the agricultural operations to meet the standards expected of them as a large employer of significant economic importance to local communities	Reputational and financial damage	The group has established standard practices designed to ensure that it meets its obligations, monitors performance against those practices and investigates thoroughly and takes action to prevent recurrence in respect of any failures identified

Risk	Potential impact	Mitigating or other relevant considerations
Criticism of the group's environmental practices by conservation organisations scrutinising land areas that fall within a region that in places includes substantial areas of unspoilt primary rain forest inhabited by diverse flora and fauna	Reputational and financial damage	The group is committed to sustainable development of oil palm and has obtained RSPO certification for most of its current operations. All group oil palm plantings are on land areas from which logs have previously been extracted by logging companies and which have subsequently been zoned by the Indonesian authorities as appropriate for agricultural development. The group maintains substantial conservation reserves that safeguard landscape level biodiversity
Community relations		
A material breakdown in relations between the group and the host population in the area of the agricultural operations	Disruption of operations, including blockages restricting access to oil palm plantings and mills, resulting in reduced and poorer quality CPO and CPKO production	The group seeks to foster mutually beneficial economic and social interaction between the local villages and the agricultural operations. In particular, the group gives priority to applications for employment from members of the local population, encourages local farmers and tradesmen to act as suppliers to the group, its employees and their dependents and promotes smallholder development of oil palm plantings
Disputes over compensation payable for land areas allocated to the group that were previously used by local communities for the cultivation of crops or as respects which local communities otherwise have rights	Disruption of operations, including blockages restricting access to the area the subject of the disputed compensation	The group has established standard procedures to ensure fair and transparent compensation negotiations and encourages the local authorities, with whom the group has developed good relations and who are therefore generally supportive of the group, to assist in mediating settlements
Individuals party to a compensation agreement subsequently denying or disputing aspects of the agreement	Disruption of operations, including blockages restricting access to the areas the subject of the compensation disputed by the affected individuals	Where claims from individuals in relation to compensation agreements are found to have a valid basis, the group seeks to agree a new compensation arrangement; where such claims are found to be falsely based the group encourages appropriate action by the local authorities
Stone and coal interests		
Operational factors		
Failure by external contractors to achieve agreed production volumes with optimal stripping values or extraction rates	Under recovery of receivables	The stone and coal concession companies endeavour to use experienced contractors, to supervise them closely and to take care to ensure that they have equipment of capacity appropriate for the planned production volumes
External factors, in particular weather, delaying or preventing delivery of extracted stone and coal	Delays to or under recovery of receivables	Adverse external factors would not normally have a continuing impact for more than a limited period
Geological assessments, which are extrapolations based on statistical sampling, proving inaccurate	Unforeseen extraction complications causing cost overruns and production delays or failure to achieve projected production resulting in under recovery of receivables	The stone and coal concession companies seek to ensure the accuracy of geological assessments of any extraction programme

Principal risks and uncertainties
continued

Risk	Potential impact	Mitigating or other relevant considerations
Prices		
Local competition reducing stone prices and volatility of international coal prices	Reduced revenue and a consequent reduction in recovery of receivables	There are currently no other stone quarries in the vicinity of the stone concessions and the cost of transporting stone should restrict competition. The high quality of the coal in the main coal concession may limit volatility
Imposition of additional royalties or duties on the extraction of stone or coal or imposition of export restrictions	Reduced revenue and a consequent reduction in recovery of receivables	The Indonesian government has not to date imposed measures that would seriously affect the viability of Indonesian stone quarrying or coal mining operations notwithstanding the imposition of some temporary limited export restrictions in response to the exceptional circumstances relating to the war in Ukraine
Unforeseen variations in quality of deposits	Inability to supply product within the specifications that are, at any particular time, in demand, with reduced revenue and a consequent reduction in recovery of receivables	Geological assessments ahead of commencement of extraction operations should have identified any material variations in quality
Environmental, social and governance practices		
Failure by the stone and coal interests to meet the standards expected of them	Reputational and financial damage	The areas of the stone and coal concessions are relatively small and should not be difficult to supervise. The stone and coal concession companies are committed to international standards of best environmental and social practice and, in particular, to proper management of waste water and reinstatement of quarried and mined areas on completion of extraction operations
Climate change		
High levels of rainfall	Disruptions to mining or quarrying operations and road transport	The concession holding companies are working with experienced, large contracting companies that have been able to deploy additional equipment in order to meet production and transportation targets during periods of higher rainfall
General		
Currency		
Strengthening of sterling or rupiah against the dollar	Adverse exchange movements on those components of group costs and funding that arise in rupiah or sterling	As respects costs and sterling denominated shareholder capital, the group considers that this risk is inherent in the group's business and structure and must simply be accepted. As respects borrowings, where practicable the group seeks to borrow in dollars but, when borrowing in another currency, considers it better to accept the resultant currency risk than to hedge that risk with hedging instruments
Cost inflation		
Increased costs as result of worldwide economic factors or shortages of required inputs, such as fertiliser and diesel, arising from the war in Ukraine	Reduction in operating margins	Cost inflation is likely to have a broadly equal impact on all oil palm growers and may be expected to restrict CPO supply if production of CPO becomes uneconomic

Risk	Potential impact	Mitigating or other relevant considerations
Funding		
Bank debt repayment instalments and other debt maturities coincide with periods of adverse trading and negotiations with bankers and investors are not successful in rescheduling instalments, extending maturities or otherwise concluding satisfactory refinancing arrangements	Inability to meet liabilities as they fall due	The group maintains good relations with its bankers and other holders of debt who have generally been receptive to reasonable requests to moderate debt profiles or waive covenants when circumstances require as was the case when waivers of certain breaches of bank loan covenants by group companies at 31 December 2020 were subsequently waived; moreover, the directors believe that the fundamentals of the group's business will normally facilitate procurement of additional equity capital should this prove necessary
Counterparty risk		
Default by a supplier, customer or financial institution	Loss of any prepayment, unpaid sales proceeds or deposit	The group maintains strict controls over its financial exposures which include regular reviews of the creditworthiness of counterparties and limits on exposures to counterparties. In addition, 90 per cent of sales revenue is receivable in advance of product delivery
Regulatory exposure		
New, and changes to, laws and regulations that affect the group (including, in particular, laws and regulations relating to land tenure, work permits for expatriate staff and taxation)	Restriction on the group's ability to retain its current structure or to continue operating as currently	The directors are not aware of any specific planned changes that would adversely affect the group to a material extent; current regulations restricting the size of oil palm growers in Indonesia will not impact the group for the foreseeable future
Breach of the various continuing conditions attaching to the group's land rights and the stone and coal concessions (including conditions requiring utilisation of the rights and concessions) or failure to maintain all permits and licences required for the group's operations	Civil sanctions and, in an extreme case, loss of the affected rights or concessions	The group endeavours to ensure compliance with the continuing conditions attaching to its land rights and concessions and that its activities and the activities of the stone and coal concession companies are conducted within the terms of the licences and permits that are held and that licences and permits are obtained and renewed as necessary
Failure by the group to meet the standards expected in relation to human rights, slavery, anti-bribery and corruption	Reputational damage and criminal sanctions	The group has traditionally had, and continues to maintain, strong controls in this area because Indonesia, where all of the group's operations are located, has been classified as relatively high risk by the International Transparency Corruption Perceptions Index
Restrictions on foreign investment in Indonesian mining concessions, limiting the effectiveness of co-investment arrangements with local partners	Constraints on the group's ability to recover its investment	The group endeavours to maintain good relations with the local partners in the group's mining interests so as to ensure that returns appropriately reflect agreed arrangements

Principal risks and uncertainties

continued

Risk	Potential impact	Mitigating or other relevant considerations
Country exposure		
Deterioration in the political or economic situation in Indonesia	Difficulties in maintaining operational standards particularly if there was a consequential deterioration in the security situation	In the recent past, Indonesia has been stable and the Indonesian economy has continued to grow but, in the late 1990s, Indonesia experienced severe economic turbulence and there have been subsequent occasional instances of civil unrest, often attributed to ethnic tensions, in certain parts of Indonesia. The group has never, since the inception of its East Kalimantan operations in 1989, been adversely affected by regional security problems
Introduction of exchange controls or other restrictions on foreign owned operations in Indonesia	Restriction on the transfer of fees, interest and dividends from Indonesia to the UK with potential consequential negative implications for the servicing of UK obligations and payment of dividends; loss of effective management control	The directors are not aware of any circumstances that would lead them to believe that, under current political conditions, any Indonesian government authority would impose exchange controls or otherwise seek to restrict the group's freedom to manage its operations
Mandatory reduction of foreign ownership of Indonesian plantation operations	Forced divestment of interests in Indonesia at below market values with consequential loss of value	The group accepts there is a significant possibility that foreign owners may be required over time to divest partially ownership of Indonesian oil palm operations but has no reason to believe that such divestment would be at anything other than market value. Moreover, the group has local participation in all its Indonesian subsidiaries
Miscellaneous relationships		
Disputes with staff and employees	Disruption of operations and consequent loss of revenues	The group appreciates its material dependence upon its staff and employees and endeavours to manage this dependence in accordance with international employment standards as detailed under "Employees" in "Sustainability" above
Breakdown in relationships with local investors in the group's Indonesian subsidiaries	Reliance on the Indonesian courts for enforcement of the agreements governing its arrangements with local partners with the uncertainties that any juridical process involves and with any failure of enforcement likely to have, in particular, a material negative impact on the value of the stone and coal interests because those concessions are legally owned by the group's local partners	The group endeavours to maintain cordial relations with its local investors by seeking their support for decisions affecting their interests and responding constructively to any concerns that they may have

Approved by the board on 21 April 2022 and signed on behalf of the board by
DAVID J BLACKETT
Chairman

Board of directors

David Blackett

Chairman (independent)

Committees: nomination (chairman) and remuneration

David Blackett was appointed a non-executive director in July 2008. After qualifying as a chartered accountant in Scotland, he worked for over 25 years in South East Asia, where he concluded his career as chairman of AT&T Capital Inc's Asia Pacific operations. Previously, he was a director of an international investment bank with responsibility for the bank's South East Asian operations and until October 2014 served as an independent non-executive director of South China Holdings Limited (now Orient Victory China Holdings Limited), a company listed on the Hong Kong Stock Exchange. He was appointed chairman in January 2016 following the retirement of Richard Robinow from that position.

Carol Gysin

Executive director

Carol Gysin was appointed to the board as managing director in February 2017. Based in London, she had previously worked for the group for over eight years as group company secretary, with increasing involvement in the operational areas of the business, including making regular visits to the group's offices and plantation estates in Indonesia. Prior to joining the group, Carol worked as company secretary to a telecommunications company, Micadant plc (formerly, Ionica Group plc, listed in London and on NASDAQ), to a medical devices company, Weston Medical plc, as well as to a number of early-stage technology companies, following an initial career in investment banking in London and Geneva.

John Oakley

Non-executive director

After early experience in investment banking and general management, John Oakley joined the group in 1983 as divisional managing director of the group's then horticultural operations. He was appointed to the main board in 1985 and in the early 1990s took charge of the day to day management of the group's then embryonic East Kalimantan agricultural operations. He was appointed managing director in 2002 and, until the appointment of a regional executive director in 2013, was the sole executive director of the group. He retired as managing director in January 2016 but remains on the board as a non-executive director.

Richard Robinow

Non-executive director

Richard Robinow was appointed a director in 1978 and became chairman in 1984. Following his seventieth birthday, he retired from the chairmanship in January 2016. He remains on the board as a non-executive director and undertakes some additional responsibilities particularly as respects the financing of the group. After early investment banking experience, he has been involved for over 40 years in the plantation industry. He is a non-executive director of a Kenyan plantation company, REA Vipingo Plantations Limited, substantially all of the shares in which are indirectly owned by his family and which is principally engaged in growing sisal in Kenya and Tanzania.

Rizal Satar

Independent non-executive director

Committees: audit and remuneration

Rizal Satar was appointed to the board in December 2018. He lives in Indonesia and is an Indonesian national, educated in the United States and Belgium where he majored in computer science, accounting and finance. Rizal previously worked for 20 years for PricewaterhouseCoopers, Indonesia ("PwC"), as a director/senior partner in Advisory Services. Prior to joining PwC, he worked for various companies in Indonesia specialising in finance, leasing and computer systems.
Rizal is also an independent commissioner (the Indonesian equivalent of a non-executive director) of two Indonesian-based companies: PT Centratama Telekomunikasi Indonesia Tbk, a company listed on the Indonesia Stock Exchange and engaged in the provision of infrastructure for cellular networks and broadband internet services, where he is also head of the audit committee; and PT FWD Asset Management, a fund management company owned by FWD Insurance, part of the Asian-based private investment Pacific Century Group, which has interests in technology, media and telecommunications, financial services and property.

Michael St. Clair-George

Senior independent non-executive director

Committees: audit (chairman), nomination, remuneration (chairman)

Michael St. Clair-George was appointed to the board in October 2016. He is a fellow of the Institute of Chartered Accountants in England & Wales. He has over 40 years' experience in the plantation and agribusiness industries in Malaysia and Indonesia, having worked for some 25 years in the Far East, initially as financial controller of Harrisons & Crosfield group Malaysian plantations (becoming finance director of Harrisons Malaysian Plantations Berhad on that company taking over ownership of such plantations) and, after that, as president director of Sipef NV's Indonesian operations. He then spent 10 years as managing director of Sipef NV, based in Belgium. Retiring from this position in 2007 and returning to London, he served until 2013 as senior non-executive director and chairman of the audit committee of New Britain Palm Oil Limited, a company then listed in London.

Former directors

Irene Chia (retired 31 December 2021)

Independent non-executive director

Irene Chia was appointed a non-executive director in January 2013. She has extensive corporate, investment and entrepreneurial experience in Asia, the USA and the UK. A graduate in economics and formerly a director of one of the Jardine Matheson Group companies, she now lives in Singapore and is currently self-employed with Far Eastern interests in consulting, property and financial investment. Because of health concerns, Irene retired from the board with effect from 31 December 2021.

Directors' report

The directors present their annual report on the affairs of the group, together with the financial statements and independent auditor's report, for the year ended 31 December 2021. The "Corporate governance report" below forms part of this report.

Proposals to extend the redemption date of the company's 7.5 per cent dollar notes 2022 ("dollar notes") to 30 June 2026 were approved by noteholders on 3 March 2002 and became effective upon execution on 3 March 2022 of a deed supplemental to the trust deed constituting the notes. Pursuant to the proposals, the company has undertaken to procure that its wholly owned subsidiary, R.E.A. Services Limited, purchases at par, on 30 June 2022, the dollar notes held by any noteholder who has indicated by no later than 31 May 2021 that they do not wish to retain their notes beyond 30 June 2022 and for which the company's brokers have been unable to arrange buyers on terms acceptable to such noteholder.

That apart, there are no significant events since 31 December 2021 to be disclosed. An indication of likely future developments in the business of the company and details of research and development activities are included in the Strategic report above.

Financial instruments

Information about the use of financial instruments by the company and its subsidiaries is given in note 23 to the consolidated financial statements.

Results and dividends

The results are presented in the consolidated income statement and notes thereto.

The semi-annual dividends on the company's preference shares that fell due on 30 June and 31 December 2021 were duly paid together, in the latter case, with 1p per share of the cumulative arrears of preference dividends.

The directors expect the semi-annual dividends on the company's preference shares arising during 2022 and 2023 to be paid as they fall due. In addition, the directors intend that the company should pay not less than 10p of the remaining cumulative arrears of preference dividend (which amount to 17p per share) on or before 31 December 2022 and the balance of those arrears during 2023. The extent to which an element of the intended payment of arrears during 2022 is made prior to 31 December 2022 will be decided by the directors after determination of the company's final liability for purchase on 30 June 2022 of the company's dollar notes (as referred to above).

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

Viability statement

The group's business activities, together with the factors likely to affect its future development, performance and position are described in the Strategic report above which also provides (under "Finance") a description of the group's cash flow, liquidity and financing adequacy and treasury policies. In addition, note 23 to the consolidated financial statements includes information as to the group's policy, objectives, and processes for managing capital, its financial risk management objectives, details of financial instruments and hedging policies, and exposures to credit and liquidity risks.

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

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

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

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

Following such reorganisation, the group's indebtedness at 31 December 2021, as detailed in "Capital structure" in the Strategic report below, amounted to $222.6 million, comprising Indonesian rupiah denominated term bank loans equivalent in total to $131.6 million, drawings under an Indonesian rupiah denominated working capital facility equivalent to $5.3 million, $27.0 million nominal of 7.5 per cent dollar notes 2022 ("dollar notes") and £30.9 million (equivalent to $42.5 million) of 8.75 per cent sterling notes

2025 ("sterling notes"). Since the beginning of 2022, the $5.3 million drawings under the Indonesian working capital facility have been repaid, a further Indonesian rupiah denominated term bank loan equivalent to $6.3 million has been drawn down and the maturity date of the dollar notes has been extended by four years. Following these changes, the total borrowings repayable in the period to 31 December 2026 (based on exchange rates ruling at 31 December 2021) amount to the equivalent of $173.2 million of which the major part will fall due in 2025 ($73.0 million) and 2026 ($48.2 million).

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

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

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

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

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

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

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

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

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

Going concern

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

As at 31 December 2021, the group had cash and cash equivalents of $46.9 million and borrowings of $222.6 million (in both cases as set out in note 23 to the group financial statements). Since the beginning of 2022, the $5.3 million drawings under the Indonesian working capital facility have been repaid, a further Indonesian rupiah denominated term bank loan equivalent to $6.3 million has been drawn down and the maturity date of the dollar notes has been extended by four years. Following these changes, the total borrowings repayable in the period to 30 June 2023 (based on exchange rates ruling at 31 December 2021) amount to the equivalent of $23.3 million.

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

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

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

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

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

Climate change

Climatic factors are integral to the group's agricultural operations. The directors acknowledge both the importance of climate change as a potential emerging risk for the group's operations (as considered under "Principal risks and uncertainties" in the Strategic report) and the potential impacts of the operations on the climate. Responsibility for oversight of the group's approach to climate-related matters resides with the managing director.

The group seeks to mitigate the negative impacts of its business on the environment through its commitment to sustainable practices. The group's policy framework underpins this commitment and the group's desire to remain at the forefront of sustainable palm oil production. The certification schemes in which the group's performance is measured, and which focus particularly on environmental impacts, provide independent verification that the group is operating in accordance with national and international standards.

The group has been monitoring and reporting its carbon footprint using the PalmGHG tool developed by the Roundtable for Sustainable Palm Oil for over ten years, with greenhouse gas ("GHG") emissions per tonne of CPO and per planted hectare being long established key performance indicators for the group, as reported under "Evaluation of performance" in the Strategic report.

Detailed information regarding sustainability, the environment and streamlined energy and carbon reporting ("SECR") is provided in the "Sustainability" section of the Strategic report and on the group's website at www.rea.co.uk. The group has extended its reporting to embrace Task Force on Climate-related Financial Disclosures ("TCFD") in this annual report in accordance with the requirements of the Listing Rules.

Control and structure of capital

Details of the company's share capital are set out in note 31 to the company's financial statements. At 31 December 2021, the issued preference share capital and the issued ordinary share capital represented, respectively, 86.6 and 13.4 per cent of the nominal value of the total issued share capital.

In addition, at 31 December 2021, the company had in issue 4,010,760 warrants with each such warrant entitling the holder to subscribe, for a period of five years from 2020, one new ordinary share in the capital of the company at a subscription price of £1.26 per share. To date in 2022, one warrant holder has elected to exercise their warrant rights in respect of 13,000 ordinary shares.

The rights and obligations attaching to the ordinary shares, preference shares and warrants are governed by the company's articles of association and prevailing legislation. A copy of the articles of association is available on the Investors section (under Capital & Constitution) of the group's website at www.rea.co.uk. Rights to income and capital are summarised in note (xi) to the company's financial statements.

On a show of hands at a general meeting of the company, every holder of shares and every duly appointed proxy of a holder of shares, in each case being entitled to vote on the resolution before the meeting, shall have one vote. On a poll, every holder of shares present in person or by proxy and entitled to vote on the resolution the subject of the poll shall have one vote for each share held. Holders of preference shares are not entitled to vote on a resolution proposed at a general meeting unless, at the date of notice of the meeting, the dividend on the preference shares is more than six months in arrear or the resolution is for the winding up of the company or is a resolution directly and adversely affecting any of the rights and privileges attaching to the preference shares. Deadlines for the exercise of voting rights and for the appointment of a proxy or proxies to vote in relation to any resolution to be proposed at a general meeting are governed by the company's articles of association and prevailing legislation and will normally be as detailed in the notes accompanying the notice of the meeting at which the resolution is to be proposed.

There are no restrictions on the size of any holding of shares in the company. Shares may be transferred either through the CREST system (being the relevant system as defined in the Uncertificated Securities Regulations 2001 of which Euroclear UK & Ireland Limited is the operator) where held in uncertificated form or by instrument of transfer in any usual or common form duly executed and stamped, subject to provisions of the company's articles of association empowering the directors to refuse to register any transfer of shares where the shares are not fully paid, the shares are to be transferred into a joint holding of more than four persons, the transfer is not appropriately supported by evidence of the right of the transferor to make the transfer or the transferor is in default in compliance with a notice served pursuant to section 793 of the Companies Act 2006. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

No person holds securities carrying special rights with regard to control of the company and there are no arrangements in which the company co-operates by which financial rights carried by shares are held by a person other than the holder of the shares.

The articles of association provide that the business of the company is to be managed by the directors and empower the directors to exercise all powers of the company, subject to the provisions of such articles (which include a provision specifically limiting the borrowing powers of the group) and prevailing legislation and subject to such directions as may be given by the company in general meeting by ordinary resolution. The articles of association may be amended only by a special resolution of the company in general meeting and, where such amendment would modify, abrogate or vary the class rights of any class of shares, with the consent of that class given in accordance with the company's articles of association and prevailing legislation.

The dollar notes and the 8.75 per cent sterling notes 2025 issued by the company's wholly owned subsidiary, REA Finance B.V., and guaranteed by the company ("sterling notes") are transferable either through the CREST system, where held in uncertificated form, or by instrument of transfer. Transfers may be in any usual or common form duly executed in amounts and multiples: in the case of the dollar notes, of $120,000 and integral multiples of $1 in excess thereof; and, in the case of the sterling notes, of £100,000 and integral multiples of £1,000 in excess thereof. There is no maximum limit on the size of any holding in each case.

Substantial holders

As explained under "Results and dividends" above, the company has outstanding arrears of dividend on its preference shares. The dividends are more than six months in arrear and, in accordance with the company's articles of association, this means that holders of preference shares are entitled to voting rights on the same basis as holders of ordinary shares.

On 31 December 2021, based on notifications received by the company in accordance with the Disclosure Guidance and Transparency Rules ("DGTRs") of the Financial Conduct Authority, the following are substantial holders of voting rights attaching to shares of the company.

Substantial holders of shares	Number of voting shares	Percentage of voting rights
Emba Holdings Limited	13,022,420	11.2
M&G Investment Management Limited	6,568,310	5.7
James Bartholomew	3,508,933	3.0

1. The shares held by Emba Holdings Limited ("Emba") are included as part of the interest of Richard Robinow, shown under "Statement of directors' shareholdings" in the Directors' remuneration report.

2. For so long as the dividend on the preference shares is more than six months in arrear, the preference shares have the same voting rights as the ordinary shares. Where notifications of voting rights have declared a percentage of voting rights calculated by reference only to the ordinary shares, such percentage has been adjusted to reflect the voting rights attaching to both the ordinary shares and the preference shares.

During the period from 31 December 2021 to the date of this report, the company did not receive any further notifications in accordance with the DGTRs.

Significant holdings of preference shares, dollar notes and sterling notes shown by the respective registers of members and noteholders at 31 December 2021 are set out below:

Substantial holders of securities	Preference shares $'000	Dollar notes $'000	Sterling notes £'000
KLK Overseas Investments Limited	–	3,000	–
Securities Services Nominees Limited 1702334 acct	4,132	–	8,767
State Street Nominees Limited OU61 acct	11,711	8,580	8,066
The Bank of New York (Nominees) Limited	4,575	–	3,400
Nortrust Nominees Limited	–	–	3,600
Vidacos Nominees Limited CLRLUX acct	–	9,546	–

A change of control of the company would entitle holders of the sterling notes to require repayment of the notes held by them.

The directors are not aware of any agreements between the company and its directors or between any member of the group and a group employee that provides for compensation for loss of office or employment that occurs because of a takeover bid.

Directors' report

continued

Directors

The directors who served during 2021 and up to and including the date of this report are listed under "Board of directors" above, which is incorporated by reference in this "Directors' report".

Irene Chia retired from the board with effect from 31 December 2021.

In accordance with the provisions of the UK Corporate Governance Code (the "Code"), all continuing directors are subject to annual re-election. Resolutions 3 to 8, which are set out in the accompanying notice of the forthcoming annual general meeting (the "2022 Notice") and will be proposed as ordinary resolutions, deal with the re-election of the directors.

The board considers that the contribution of each current director is, and continues to be, important and of value to the long term success of the company.

David Blackett, who was first appointed to the board in 2008 and was appointed chairman in 2016, has served on the board for more than nine years. The board considers that David Blackett's term as chairman should for a fourth year be extended beyond that recommended under the Code, as he provides valuable continuity and support to the company and management during a period of operational and financial recovery, prolonged in part by the impacts of the Covid pandemic. Under normal circumstances, David makes yearly visits to the operations in Indonesia and has considerable knowledge of the business of the company, offering insights based on his previous experience in the region. In fulfilling his role as chairman, David promotes healthy debate amongst directors and the board considers that his objectivity and judgement are not compromised by his length of service.

Carol Gysin is the sole executive director of the group. Based in England, Carol has worked for the group for over thirteen years, initially as group company secretary but with increasing involvement in the group's operations, including making regular visits to the group's offices and plantation estates in Indonesia.

John Oakley was managing director of the company from 2002 until the end of 2015. John has remained on the board as a non-executive director and provides valuable support to the current management, given his extensive knowledge of agronomic practices and oil mill engineering.

Richard Robinow relinquished his position as chairman of the company at the end of 2015. Richard has remained on the board as a non-executive director and, with his significant family shareholding in the company, continues to support the development of the group, particularly with regard to financing and strategic initiatives.

Rizal Satar, an Indonesian national based in Indonesia, has extensive experience in accounting and finance having previously worked for PricewaterhouseCoopers, Indonesia, for 20 years until 2017, as a director/senior partner in Advisory Services. Rizal is a valuable member of the board in terms of his relevant commercial and financial experience and local knowledge. Rizal is also an independent commissioner (the Indonesian equivalent of a non-executive director) of REA Kaltim and chairman of the REA Kaltim sub-group's audit committee which oversees on behalf of the group matters that include internal audit, anti-bribery and corruption measures, whistleblowing policies and procedures, and employee engagement.

Michael St. Clair-George is the senior independent non-executive director of the company and chairman of the audit and remuneration committees. Now based in England, Michael has over 40 years' experience in the plantation and agribusiness industries in Malaysia and Indonesia first in the Harrisons & Crosfield group and then in the Sipef group.

Following the retirement of Irene Chia as a non-executive director with effect from 31 December 2021, the company has commenced the process for making a new appointment to the board. Ideally, the appointee will be based in South East Asia, the region of the group's operations. As previously announced, interviewing and selecting a suitable candidate can be expected to take a little time given travel restrictions due to Covid

Michael St. Clair-George confirms that, following the formal performance evaluation of the chairman, David Blackett's performance continues to be effective and to demonstrate his commitment to the role. Accordingly, Michael St. Clair-George, together with fellow non-executive directors, recommends the re-election of David Blackett as a non-executive director.

The chairman confirms that, following the annual formal evaluation, the performance of each of the current non-executive directors and the managing director continues to be effective and recommends their re-election to the board. The chairman particularly welcomes the valuable commitment and extensive experience of all of the directors.

Engagement with suppliers, customers and other stakeholders

As noted in the section 172(1) statement in the section "Introduction and strategic environment" in the Strategic report, each director is conscious of their and the group's responsibility to customers, suppliers, the wider community and other stakeholders.

There is a regular dialogue between managers in the sales and marketing department and group's customers, with whom the group has fostered long term supply arrangements and who take a keen interest in the group's sustainability credentials, to ensure timely delivery of CPO and CPKO in accordance with the terms of the agreed contracts. Given the remote location of the group's operations, timely deliveries and receipt of proceeds are critical for the smooth running of the group's operations. Managers in the procurement department have an open dialogue with the group's limited number of suppliers and contractors to ensure that satisfactory relationships are maintained.

In support of the established relationships, from time to time the group's president director in Indonesia has meetings with the group's key suppliers and customers at which any concerns can be aired. Occasionally, the managing director will also participate in such meetings.

Managers are also in regular communication with local government bodies in Indonesia and with the certification and other bodies that promote environmental, social and governance matters. Issues, if any, are discussed at the regular meetings between senior management and the president director and escalated, as required, to the managing director. Rizal Satar also provides a conduit to the group board for matters arising with stakeholders in Indonesia.

Directors' indemnities

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in place for the benefit of directors of the company and of other members of the group for 2021 and remain in place at the date of this report.

The group carries appropriate insurance against actions against the directors, commissioners and senior managers of the group's Indonesian sub-holding company, REA Kaltim, and subsidiaries.

Political donations

No political donations were made during the year.

Acquisition of the company's own shares

The company's articles of association permit the purchase by the company of its own shares subject to prevailing legislation which requires that any such purchase (commonly known as a "buy-back"), if a market purchase, has been previously authorised by the company in general meeting and, if not, is made pursuant to a contract of which the terms have been authorised by a special resolution of the company in general meeting.

The company currently holds 132,500 of its ordinary shares of 25p each, representing 0.3 per cent of the called up ordinary share capital, as treasury shares which were acquired with the intention that, once a holding of reasonable size has been accumulated, such holding be placed with one or more substantial investors on a basis that, to the extent reasonably possible, broadens the spread of substantial shareholders in the company. Save to the extent of this intention, no agreement, arrangement or understanding exists whereby any ordinary shares acquired pursuant to the share buy-back authority referred to below will be transferred to any person. There were no acquisitions or disposals of treasury shares during 2021.

The directors are seeking renewal at the forthcoming annual general meeting (resolution 11 set out in the 2022 Notice) of the buy-back authority granted in 2021 to purchase up to 5,000,000 ordinary shares, on terms that the maximum number of ordinary shares that may be bought back and held in treasury at any one time is limited to 400,000 ordinary shares. The directors may, if it remains appropriate, seek further annual renewals of this authority at subsequent annual general meetings. The authorisation being sought will continue to be utilised only for the limited purpose of buying back ordinary shares into treasury with the expectation that the shares bought back will be re-sold when circumstances permit. The new authority, if provided, will expire on the date of the annual general meeting to be held in 2023 or on 30 June 2023 (whichever is the earlier).

Although the directors are seeking renewal of the buyback authority to maintain flexibility for the future, they do not currently intend to exercise such authority.

The renewed buy-back authority is sought on the basis that the price (exclusive of expenses, if any) that may be paid by the company for each ordinary share purchased by it will be not less than £1.00 and not greater than an amount equal to the higher of: (i) 105 per cent of the average of the middle market quotations for the ordinary shares in the capital of the company as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such share is contracted to be purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the London Stock Exchange.

Any ordinary shares held in treasury by the company will remain listed and form part of the company's issued ordinary share capital. However, the company will not be entitled to attend meetings of the members of the company, exercise any voting rights attached to such ordinary shares or receive any dividend or other distribution (save for any issue of bonus shares). Sales of shares held in treasury will be made from time to time as investors are found, following which the new legal owners of the ordinary shares will be entitled to exercise the usual rights from time to time attaching to such shares and to receive dividends and other distributions in respect of the ordinary shares.

The consideration payable by the company for any ordinary shares purchased by it will come from the distributable reserves of the company. The proceeds of sale of any ordinary shares purchased by the company would be credited to distributable reserves up to the amount of the purchase price paid by the company for the shares, with any excess over such price being credited to the share premium account of the company.

The company will continue to comply with its obligations under the Listing Rules of the Financial Conduct Authority (the "Listing Rules") in relation to the timing of any share buy-backs and re-sales of ordinary shares from treasury.

Authorities to allot share capital

At the annual general meeting held on 10 June 2021, shareholders authorised the directors under the provisions of section 551 of the Companies Act 2006 to allot ordinary shares or 9 per cent cumulative preference shares within specified limits. Replacement authorities are being sought at the 2022 annual general meeting (resolutions 12 and 13 set out in the 2022 Notice) to authorise the directors (a) to allot and to grant rights to subscribe for, or to convert any security into, ordinary shares in the capital of the company (other than 9 per cent cumulative preference shares) up to an aggregate nominal amount of £3,662,554 representing 33.4 per cent of the issued ordinary share capital (excluding treasury shares) at the date of this report, and (b) to allot and to grant rights to subscribe for, or to convert any security into, 9 per cent cumulative preference shares in the capital of the company up to an aggregate nominal amount of £24,000,000 representing 33.3 per cent of the issued preference share capital of the company at the date of this report. The new authorities, if provided, will expire on the date of the annual general meeting to be held in 2023 or on 30 June 2023 (whichever is the earlier). The directors have no current intention of exercising the allotment authorities.

Authority to disapply pre-emption rights

Fresh powers are also being sought at the forthcoming annual general meeting under the provisions of sections 571 and 573 of the Companies Act 2006 to enable the board to make a rights issue or open offer of ordinary shares to existing ordinary shareholders without being obliged to comply with certain technical requirements of the Companies Act 2006 which can create problems with regard to fractions and overseas shareholders.

In addition, the resolution to provide these powers (resolution 14 set out in the 2022 Notice) will, if passed, empower the directors to allot equity securities or sell treasury shares for cash and otherwise than to existing shareholders pro rata to their holdings up to a maximum aggregate nominal amount of £549,381(representing 5 per cent of the issued ordinary share capital of the company (excluding treasury shares) at the date of this report).

The figure of 5 per cent reflects the Pre-Emption Group 2015 Statement of Principles for the disapplication of pre-emption rights (the "Statement of Principles"). The board will have due regard to the Statement of Principles in relation to any exercise of this power, in particular the board does not expect to non-pre-emptively allot ordinary shares for cash representing more than 7.5 per cent of the issued ordinary share capital in any rolling three year period, without prior consultation with shareholders.

Reflecting the Statement of Principles, a further power is being sought at the forthcoming annual general meeting to enable the board to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders pro rata to their holdings in addition to the 5 per cent referred to above (resolution 15 set out in the 2022 Notice. The resolution to provide these powers (resolution 15 set out in the 2022 Notice) will, if passed, be limited to the allotment of equity securities and sales of treasury shares for cash up to a maximum aggregate nominal amount of £549,381 (representing 5 per cent of the issued ordinary share capital of the company (excluding treasury shares) at the date of this report). The board will have due regard to the Statement of Principles in relation to any exercise of this power and in particular the board intends to use this power only in connection with a transaction which they have determined to be an acquisition or other capital investment (of a kind contemplated by the Statement of Principles most recently published prior to the date of this notice) which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding six month period and is disclosed in the announcement of the issue.

The foregoing powers (if granted) will expire on the date of the annual general meeting to be held in 2023 or on 30 June 2023 (whichever is the earlier).

General meeting notice period

At the 2022 annual general meeting a resolution (resolution 16 set out in the 2022 Notice) will be proposed to authorise the directors to convene a general meeting (other than an AGM) on 14 clear days' notice (subject to due compliance with requirements for electronic voting). The authority will be effective until the date of the annual general meeting to be held in 2023 or on 30 June 2023 (whichever is the earlier). This resolution is proposed following legislation which, notwithstanding the provisions of the company's articles of association and in the absence of specific shareholder approval of shorter notice, has increased the required notice period for general meetings of the company to 21 clear days. While the directors believe that it is sensible to have the flexibility that the proposed resolution will offer to convene general meetings on shorter notice than 21 days, this flexibility will not be used as a matter of routine for such meetings, but only where use of the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Directors' remuneration report

Resolution 2 as set out in the 2022 Notice provides for approval of the company's remuneration report regarding the remuneration of directors as detailed in the Directors' remuneration report below.

The Directors' remuneration policy detailed in the Directors' remuneration report is unchanged from the policy that was previously approved at the company's 2021 annual general meeting.

Recommendation

The board considers that the proposals to grant the directors the authorities and powers as detailed under "Acquisition of the company's own shares", "Authorities to allot share capital" and "Authority to disapply pre-emption rights" above and the proposals to permit general meetings (other than annual general meetings) to be held on just 14 clear days' notice as detailed under "General meeting notice period" above are all in the best interests of the company and shareholders as a whole and accordingly the board recommends that shareholders vote in favour of resolutions 11 to 16 as set out in the 2022 Notice.

Independent auditor

Each director of the company at the date of approval of this report has confirmed that, so far as such director is aware, there is no relevant audit information of which the group's independent auditor is unaware; and that such director has taken all the steps that ought to be taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's independent auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

MHA MacIntyre Hudson have expressed their willingness to continue in office as auditor and Resolution 9 set out in the 2022 Notice proposes their re-appointment.

Resolution 10 set out in the 2022 Notice proposes that the audit committee, in accordance with its terms of reference and standard practice, be authorised to determine and approve the remuneration of the independent auditor.

Directors' report
continued

Disclosure requirements of Listing Rule 9.8.4R

The following table references the location of information required to be disclosed in accordance with Rule 9.8.4R of the Listing Rules published by the Financial Conduct Authority.

Listing Rule	Disclosure requirement	Disclosure in annual report
9.8.4(1)	The amount of interest capitalised during the year with an indication of the amount and treatment of any related tax relief	Note 9 to the consolidated financial statements
9.8.4(2)	Any information required in respect of published unaudited financial information	Not applicable
9.8.4(4)	Details of long-term incentive scheme as required under LR 9.4.3R (2) (for a sole director to facilitate recruitment or retention)	Not applicable
9.8.4(5)	Any arrangements under which a director has waived or agreed to waive any emoluments from the company or any subsidiary undertaking	Not applicable
9.8.4(6)	Any arrangement under which a director has agreed to waive future emoluments	Not applicable
9.8.4(7)	Allotments for cash of equity securities made during the period under review otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the company's shareholders	Not applicable
9.8.4(8)	Allotments of shares for cash by a major subsidiary of the company other than pro-rata to existing shareholdings	Not applicable
9.8.4(9)	Participation by a parent company in any placing made by the company	Not applicable
9.8.4(10)	Any contract of significance: (i) to which the listed company, or one of its subsidiary undertakings, is a party and in which a director of the listed company is or was materially interested; and (ii) between the listed company, or one of its subsidiary undertakings, and a controlling shareholder	Note 36 (related parties) to the consolidated financial statements
9.8.4(11)	Contracts for the provision of services to the company or any of its subsidiary undertakings by a controlling shareholder	Not applicable
9.8.4(12)	Arrangements under which a shareholder has waived or agreed to waive any dividends	Not applicable
9.8.4(13)	Arrangements under which a shareholder has agreed to waive future dividends	Not applicable
9.8.4(14)	Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

By order of the board
R.E.A. SERVICES LIMITED
Secretary
21 April 2022

Corporate governance report

This directors' report on corporate governance in respect of the year ended 31 December 2021 is made pursuant to the UK Corporate Governance Code 2018 (the "Code") issued by the Financial Reporting Council ("FRC") in July 2018 and taking effect for accounting periods on or after 1 January 2019. The Code is available from the FRC's website at www.frc.org.uk.

Throughout the year ended 31 December 2021, the company was in compliance with the provisions set out in the Code save as respects Code provision 24 regarding the audit committee, as noted under "Board committees" below. Following Mr Blackett's resignation as a member of the audit committee with effect from 9 December 2021, the company has been and remains in compliance with Code provision 24 since such date.

Chairman's statement on corporate governance

The directors appreciate the importance of ensuring that the group's affairs are managed effectively and with integrity and acknowledge that the principles laid down in the Code provide a widely endorsed model for achieving this. The directors seek to apply the Code principles and the supporting provisions in a manner proportionate to the group's size but, as the Code permits, reserving the right, when it is appropriate to the individual circumstances of the company, not to comply with certain Code principles and to explain why.

At the performance evaluation conducted in 2021 and following a further formal evaluation conducted in the first quarter of 2022, directors concluded that the board performed effectively as constituted during 2021 and continues to do so during 2022 but that it was important to appoint an additional independent director to replace Irene Chia (who retired as a director with effect from 31 December 2021) as soon as practicable. It was further concluded that the diversity of gender and ethnic backgrounds and complementary skills of individual board members are appropriate for the size and strategic direction of the group and for the challenges that it faces. It was considered that each director brings separate valuable insights into, variously, the plantation industry, business in Indonesia and the group's affairs. Taking account of the nature and size of the company and the limited number of directors on the board, it was concluded that an externally facilitated board evaluation was not required.

The directors are conscious that the group relies not only on its shareholders but also on the holders of its debt securities for the provision of the capital that the group utilises. The comments below regarding liaison with shareholders apply equally to liaison with holders of debt securities.

Role and responsibilities of the board

The board is responsible for the proper leadership of the company in meeting its objectives for the long term sustainable success of the company, the community in which it operates and its shareholders.

The board has a schedule of matters reserved for its decision which is kept under review. Such matters include strategy, material investments and financing decisions and the appointment or removal of executive directors and the company secretary. In addition, the board is responsible for ensuring that resources are adequate to meet the group's objectives and for reviewing performance, financial and operational controls, risk and compliance with the group's policies and procedures with respect to its strategy and values regarding business ethics, responsible development, environment and biodiversity conservation, human rights, diversity, and health and safety. Each of these matters is considered at the group's quarterly board meetings with such discussions informed by exchanges with, and information provided by, the senior management team as well as by updates from sustainability and conservation consultants. The group's culture and long history of operating in South East Asia underpins the policies, standards and procedures that it employs in seeking to meet the group's objectives. The group's local directors, commissioners and minority shareholders are a valuable resource in ensuring that the culture and conduct of the group are maintained and appropriately aligned with that of the region in which it operates.

The chairman and managing director (being the chief executive) have defined separate responsibilities under the overall direction of the board. The chairman has responsibility for leadership and effective management of the board in the discharge of its duties; the managing director has responsibility for the executive management of the group overall. Neither has unfettered powers of decision.

Michael St. Clair-George and Rizal Satar are considered by the board to be independent directors. Further, the chairman on appointment was considered to meet the board of directors' criteria for independence. There is a regular and frank dialogue, both formal and informal, between all directors and senior management and communication is open and constructive and non-executive directors are able to express their views, challenge one another and senior management and to raise issues or concerns. Executive management is responsive to feedback from non-executive directors and to requests for clarification and amplification.

Composition of the board

The board currently comprises the chairman, one executive director and four non-executive directors, two of whom the board considers to be independent. Following the retirement of Irene Chia from the board, one (representing 0.16 per cent) of the six members of the board, being the managing director, is female.

Biographical information concerning each of the directors of the company is set out under "Board of directors" above. The variety of backgrounds brought to the board by its members provides perspective and facilitates balanced and effective strategic planning and decision making for the long-term success of the company in the context of the company's obligations and responsibilities, both as the owner of a business in Indonesia and as a UK listed entity. In particular, the board believes that the respective skills and experience of its members complement each other and that their knowledge and commitment is of specific relevance to the nature and geographical location of the group's operations.

The group's London office comprises the managing director and a small number of senior executives, all of whom are female, managing the company's London listing and liaising with its European investors, as well as liaising closely with the senior management team in Indonesia. The Indonesian management team has day to day responsibility for the plantation operations and reports to the local president director.

Under the company's articles of association, any director who has not been appointed or re-appointed at each of the preceding two annual general meetings shall retire by rotation and may submit himself for re-election. This has the effect that each director is subject to re-election at least once every three years. Further, any director appointed during the year holds office until the next annual general meeting and may then submit himself or herself for re-election. However, in compliance with the Code, all directors are subject to annual re-election by shareholders.

It is the policy of the company that the board should be refreshed on the basis that independent non-executive directors will not normally be proposed for reappointment if, at the date of reappointment, they have served on the board for more than nine years. However, David Blackett, who was first appointed to the board in 2008 and was appointed chairman in 2016, has served on the board for more than nine years. The board is mindful of maintaining a suitable balance between independence and relevant experience and considers that, as chairman, David Blackett's objectivity and judgement are not compromised by his length of service. The board considers that the value brought to board proceedings by David's commitment and continuity outweighs other factors. David fosters healthy discussions at board meetings to ensure that board decision making is effective and conforms with the group's strategy and objectives. Accordingly, as explained in the Directors' report above, the board has further extended the chairman's term beyond that recommended under the Code, taking account of the views of fellow directors and of the company's major shareholders.

Directors' conflicts of interest

In connection with the statutory provisions regarding the avoidance by directors of situations which conflict or may conflict with the interests of the company, the board has approved the continuance of potential conflicts notified by Richard Robinow, who absented himself from the discussion in this respect. Such notifications relate to Richard Robinow's interests as a shareholder in or as a director of companies the interests of which might conflict with those of the group but are not at present considered to do so. No other conflicts or potential conflicts have been notified by directors.

Professional development and advice

In view of their previous relevant experience and, in some cases, length of service on the board, all directors are familiar with the financial and operational characteristics of the group's activities. Directors are required to ensure that they maintain that familiarity and keep themselves fully cognisant of the affairs of the group and matters affecting its operations, finances and obligations (including environmental, social and governance responsibilities). Whilst there are no formal training programmes, the board regularly reviews its own competences, receives periodic briefings on legal, regulatory, operational and political developments affecting the group and may arrange training on specific matters where it is thought to be required. Directors are able to seek the advice of the company secretary and, individually or collectively, may take independent professional advice at the expense of the company if necessary.

Newly appointed directors receive induction on joining the board and steps are taken to ensure that they become fully informed as to the group's activities.

Information and support

Monthly operational, financial and ESG reports are issued to all directors for their review and comment. These reports are augmented by annual budgets and positional papers on matters of a non routine nature and by prompt provision of such other information as the board periodically decides that it should have to facilitate the discharge of its responsibilities.

Board evaluation

A formal rigorous internal evaluation of the performance of the board, the committees and individual directors is undertaken annually. Balance of powers, mix of skills, experience and knowledge, ongoing contribution to objectives, strategy, efficacy, diversity, climate change and accountability to key stakeholders are reviewed by the board as a whole. The performance of the chairman is appraised by the independent non-executive directors led by the senior independent director. The appraisal process includes assessments against a detailed set of criteria covering a variety of matters including how the board works together as a unit, key board relationships, effectiveness of individual directors and committees and the commitment and contribution of all directors in developing strategy and enforcing disciplined risk management, pursuing areas of concern, if any, and in addition setting appropriate commercial, social and environmental responsibility objectives, the adequacy and timeliness of information made available to the board and the proportion of time allotted for considering financial performance versus strategic matters.

Following the 2022 evaluation, the chairman confirmed the directors' view that the board is effective as currently constituted (subject to early appointment of an additional independent non-executive director to replace Irene Chia who retired as a director with effect from 31 December 2021) and that the performance of each of the non-executive directors continues to be effective. The chairman welcomed the valuable commitment and engagement of all the directors, each of whom has extensive experience relevant to the group's business and of broader issues that are of relevance to the group's immediate and longer term goals, and was satisfied that the board performed effectively throughout the period under review and to date.

Board committees

The board has appointed nomination, audit and remuneration committees to undertake certain of the board's functions, with written terms of reference which are available for inspection on the Investors section (under Corporate governance) of the group's website at www.rea.co.uk and are updated as necessary.

Overall, the board considers that the board committees are of a size that is appropriate to the needs and circumstances of the company and that the structure of the committees retains a suitable balance between independence and recent and relevant financial or industry experience and avoids unnecessary duplication of the oversight exercised by the commissioners of REA Kaltim (the Indonesian sub-holding company of all of the group's plantation interests) of which a majority are independent.

There is a committee of the board, currently comprising any two of the managing director, the chairman and Richard Robinow, to deal with various matters of a routine or executory nature.

Nomination committee

The members of the nomination committee are David Blackett (chairman) and Michael St. Clair-George. Although David Blackett has served on the board for more than nine years, he was independent upon his appointment to the board and to the nomination committee and, as noted above, the board considers that his independence is not compromised by his length of service. Further, given that the board currently comprises only six members, it is not considered appropriate to change membership of the nomination committee at this time.

The nomination committee is responsible for monitoring the performance of the executive director and senior management against agreed performance objectives and submitting recommendations for the appointment and removal of directors for approval by the full board. In making such recommendations, the committee pays due regard to the group's diversity policy and takes into consideration the ethos of the company and the specific nature and location of the group operations. Experience and understanding of the plantation industry and business in Indonesia, including that from a South East Asian perspective provided by overseas directors, is an important factor in considering a potential appointment, whether from an external applicant or as part of the succession planning process. The committee may use external consultants to advertise directly for or carry out a search exercise for potential applicants when seeking a new chairman or directors.

A prospective director's availability to devote the time and attention necessary to support the company's long-term sustainable success is considered vital. It is important that all directors make periodic visits to the group's operations which are located in a remote rural location in Indonesia, entailing lengthy and sometimes complex, strenuous travel. The nomination committee assesses current demands on a potential director's time in addition to the time commitment and stamina expected of a director, prior to recommending their appointment to the board. The board considers whether a proposed director is able to discharge his duties within the constraints on the proposed director's availability and preparedness for such a role.

The managing director does not currently hold any other significant appointment.

Audit committee

The members of the audit committee are detailed in the Audit committee report below. From December 2021, the company has been in compliance with provision 24 of the Code, when the chairman of the board resigned as a member of the audit committee leaving the audit committee with two members. The company constitutes a smaller company for the purpose of the Code and accordingly an audit committee comprising two members complies with the requirements of the Code. Both members have relevant financial expertise and experience. Given the commitment and specific competencies relevant to the group's business that are required of audit committee members, the board is satisfied that the committee is appropriately constituted.

Rizal Satar, who is one of the two members of the audit committee, is also chairman of the audit committee of the REA Kaltim sub group and has primary responsibility for overseeing audit matters in the region and for reporting back to the audit committee in London. Membership of the audit committee is kept under review by the board to ensure that it continues to remain independent and effective.

As set out in its terms of reference, the audit committee monitors and reports to the board at each quarterly meeting on the independence and effectiveness of the internal and external audit functions, the integrity of financial and narrative statements and its assessment of risk management and

Corporate governance report
continued

internal control procedures. The audit committee's report on its composition and activities is set out in the "Audit committee report" below. This also provides information concerning the independent external auditor.

Remuneration committee

The members of the remuneration committee are detailed in the Directors' remuneration report below. The remuneration committee meets the criteria of the Code as respects both independence and the composition of remuneration committees.

The principles, policies and activities of the remuneration committee are set out in the "Directors' remuneration report" below. This also provides information concerning the remuneration of the directors and includes details of the basis upon which such remuneration is determined.

Board proceedings

Four meetings of the board are scheduled each year. Other board meetings are held as required to consider corporate and operational matters with all directors consulted in advance regarding significant matters for consideration and provided with relevant supporting information. Minutes of board meetings are circulated to all directors. The managing director is present at full board meetings. Where appropriate, telephone discussions take place between the chairman and the other non-executive directors outside the formal meetings. Committee meetings are held as and when required. All proceedings of committee meetings are reported to the full board.

The attendance of individual directors, who served during 2021, at the board meetings held in 2021 is set out below.

	Regular meeting	Ad hoc meeting
David Blackett	4	1
Irene Chia (retired 31 Dec 2021)	4	1
Carol Gysin	4	1
John Oakley	3	1
Richard Robinow	4	1
Michael St. Clair-George	4	1
Rizal Satar	3	1

In addition, during 2021 there were five meetings of the audit committee and one meeting of each of the remuneration committee and nomination committee. All committee meetings were attended by all of the committee members appointed at the time of each meeting.

Whilst all formal decisions are taken at board meetings, the directors have frequent informal discussions between themselves and with management and most decisions at board meetings reflect a consensus that has been reached ahead of the meetings. One of the directors resides permanently in the Asia Pacific region and, under normal circumstances, some UK based directors travel extensively. Since the regular board meetings are fixed to fit in with the company's budgeting and reporting cycle and ad hoc meetings normally have to be held at short notice to discuss specific matters that do not fall within the remit of the board committees, it may not always be practical to fix meeting dates to ensure that all directors are able to attend each meeting in person but, when possible, the company organises a conference facility to facilitate remote attendance. In the event that a director is unable to attend a meeting in person or by way of a conference facility, the company ensures that the director concerned is fully briefed so that the director's views can be made known to other directors ahead of time and be reported to, and taken into account, at the meeting.

During the period under review, to comply with social distancing and travel restrictions, several meetings were held entirely by conference facility which proved to be highly effective. The use of conference facilities was not felt by directors to impact adversely the conduct or administration of meetings or the quality and depth of board discussions and contributions by individual directors.

Audit, risk and internal control

The board is responsible for the group's audit and system of internal control and for reviewing their effectiveness, taking account of the views and recommendations of the audit committee in considering such matters. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The board has established a continuous process for identifying, evaluating and managing the principal risks which the group faces (including risks arising from environmental, social and governance matters) and considering any such risks in the context of the group's overall strategic objectives. A robust assessment of the principal and emerging risks, as set out under "Principal risks and uncertainties" in the Strategic report above, was conducted by the board on 21 April 2022. The board also regularly reviews the process and internal control systems, which were in place throughout 2021 and up to the date of approval of this report, in accordance with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The board attaches importance not only to the process established for controlling risks but also to promoting an internal culture in which all group staff are conscious of the risks arising in their particular areas of activity, are open with each other in their disclosure of such risks and combine together in seeking to mitigate risk. In particular, the board has always emphasised the importance of integrity and ethical dealing and continues to do so, in accordance with the group's policies on business ethics and human rights.

Policies and procedures in respect of diversity, human rights and anti-bribery and corruption are in place for all of the group's operations in Indonesia as set out in the Strategic report (under the "Employees" section in "Sustainability" above) as well as in the UK. These include detailed guidelines and reporting requirements, a comprehensive, continuous training programme for all management and employees and a process for ongoing monitoring and review. To support the group's policies and procedures, a local third party assists with corporate governance matters and regular anti-bribery training for employees in Indonesia. Such training covers local and international standards of good governance and anti-bribery laws and regulations, with specific reference to the Bribery Act 2010. The group's whistleblowing procedure, implemented for employees in Indonesia, where the majority of the workforce is based, is managed and facilitated externally by a professional independent third party firm.

The group has in place measures to ensure that it is compliant with the UK General Data Protection Regulation ("UK GDPR") which came into effect on 1 January 2021 and replaces General Data Protection Regulation (EU) 2016 ("EU GDPR"), which applied until 31 December 2020 and with which the group was previously compliant.

The board, assisted by the audit committee and the internal audit process, reviews the effectiveness of the group's system of internal control on an ongoing basis. The board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management and the internal audit department (providing such information as the board requires) and considering whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring. Details of the internal audit function and the board's risk management monitoring are provided under "Internal audit" and "Risk management and internal control" in the Audit committee report below.

Internal audit and reporting

The group's internal audit arrangements are described in the Audit committee report below.

The group has established a management hierarchy which is designed to delegate the day to day responsibility for specific departmental functions within each working location, including financial, operational and compliance controls and risk management, to a number of senior managers and department heads who in turn report to the managing director.

Management reports to the board on a regular basis by way of the circulation of progress reports, management reports, budgets and management accounts. Management reports, in particular as regards finance matters, are also considered by the audit committee as required. Management is required to seek authority from the board in respect of any transaction outside the normal course of trading which is above an approved limit and in respect of any matter that is likely to have a material impact on the operations that the transaction concerns. Monthly meetings to consider operational matters are held in London and Indonesia and regular meetings are held between the two offices by way of conference calls. In normal times, directors based in London make frequent visits to the overseas operations each year. The managing director has a continuous dialogue with the chairman and with other members of the board.

Diversity and human rights

The group encourages an open approach to recruitment, promotion and career development irrespective of age, gender, national origin or professional background. As noted in the group's "Non-financial information statement" in the Strategic report above, applicable policies are designed to recognise and promote this open approach. Substantial progress has been made in implementing the diversity policy as evidenced by the composition of the group board, Indonesian subsidiary boards and senior management, and the recent establishment of a diversity, equality and inclusion committee, thus broadening the scope of the previous gender committee, as set out in the Strategic report above under the "Employees" section in "Sustainability". As noted above, following the retirement of Irene Chia as a non-executive director with effect from 31 December 2021, the company intends that the new appointee to the board will be based in South East Asia.

In accordance with the Modern Slavery Act 2015, the group seeks to ensure that its partners abide by its ethical principles, including those with respect to slavery as set out in the policies on human rights and business ethics. All full time employees, casual workers and third party contractors are provided with clear terms of engagement, including a defined notice period for termination and the group's policy with respect to slavery or trafficked labour. The policy statement on modern slavery is available on the group's website and is reviewed annually by the board in light of the group's policies and practices. The group is also subject to assessments of its human rights policies and procedures by major customers and certification bodies. These audits, which are usually conducted by independent bodies, cover the management and governance of human rights, as well as respect for fundamental rights in the workplace and in the community.

Relations with stakeholders

The Chairman's statement and Strategic report above, when read in conjunction with the financial statements, the Directors' report above and the Audit committee report and Directors' remuneration report below are designed to present a comprehensive and understandable assessment of the group's position and prospects. The respective responsibilities of the directors and independent auditor in connection with the financial statements are detailed in Directors' responsibilities below and in the Independent auditor's report.

Corporate governance report

continued

The directors endeavour to ensure that there is satisfactory dialogue, based on mutual understanding, between the company and its shareholder body. The annual report, interim communications, periodic press releases and such circular letters to shareholders as circumstances may require are intended to keep shareholders informed as to progress in the operational activities and financial affairs of the group. In addition, within the limits imposed by considerations of confidentiality, the company engages with institutional and other major investors through regular meetings and other contact in order to understand their concerns. The views of shareholders are communicated to the board as a whole to ensure that the board and the board committees maintain a balanced understanding of shareholder opinions and issues arising.

All ordinary shareholders may attend the company's annual and other general meetings and put questions to the board. In addition, while the fixed dividend on the company's preference shares is more than six months in arrear, all preference shareholders are similarly entitled to attend the company's annual and other general meetings and put questions to the board. In the past two directors resided, but currently one director resides, permanently in the Asia Pacific region. Moreover the nature of the group's business requires that directors travel frequently to Indonesia. It is therefore not always feasible for all directors to attend general meetings, but, under normal circumstances when gatherings of people are not restricted by health constraints, those directors who are present are available to talk on an informal basis to shareholders after the meeting's conclusion.

At least twenty working days' notice is given of the annual general meeting and related papers are made available to shareholders at least twenty working days ahead of the meeting. For every general meeting, proxy votes are counted and details of all proxies lodged for each resolution are reported to the meeting and made available on the group's website as soon as practicable after the meeting.

Arrangements for the company's 2022 annual general meeting are set out in the accompanying notice of the forthcoming annual general meeting (the "2022 Notice"). Reference should be made to the 2022 Notice for further information regarding attendance at the meeting.

The board is mindful of the company's other key stakeholders, specifically employees. Rizal Satar, who resides in Indonesia and is also a commissioner (akin to a non-executive director) of the group's principal operating subsidiary in Indonesia and chairman of the local audit committee, is the designated non-executive director with responsibility for engagement with employees, as well as oversight of anti-bribery and whistleblowing procedures in line with the group's policies. Rizal works with REA Kaltim's president director, head of human resources and head of sustainability to consider employee issues and periodically attends employee workshops on the group's estates. In addition, Rizal provides the conduit between the independent whistleblowing facilitator and the board. Outcomes and findings from employee engagement and whistleblowing procedures are reported to the local boards of directors and commissioners and ultimately to the group's main board via the REA Kaltim audit committee. This engagement mechanism is to ensure that the board understands the views of all stakeholders and that employee interests have been considered in board discussions and decision making in order to promote the long term success of the company.

The company maintains its website at www.rea.co.uk. The website has detailed information on, and photographs illustrating various aspects of, the group's activities, including its commitment to sustainability, conservation work and managing its carbon footprint. The website is updated regularly and includes information on the company's share prices and the price of CPO. The company's corporate governance documentation, including the terms of reference for the audit, nomination and remuneration committees, are published on the Investors section (under Corporate governance) of the website. The company's results and other news releases issued via the London Stock Exchange's Regulatory News Service are published on the Investors section of the website and, together with other relevant documentation concerning the company, are available for downloading.

Approved by the board on 21 April 2022 and signed on behalf of the board by

DAVID J BLACKETT
Chairman

Audit committee report

Summary of the role of the audit committee

The terms of reference of the audit committee are available for download from the Investors section (under Corporate governance) on the group's website at www.rea.co.uk.

The audit committee's duties cover the group as a whole, as well as the parent company and major subsidiary undertakings, unless required otherwise by regulations. The audit committee is responsible for:

- monitoring the integrity of the financial statements, reviewing formal announcements of financial performance and the significant reporting issues and judgements that such statements and announcements contain
- reviewing the effectiveness of the internal control functions (including the internal financial controls and internal audit function in the context of the group's overall risk management system, as well as arrangements whereby internally raised staff concerns as to financial reporting and other relevant matters are considered)
- making recommendations to the board in relation to the appointment, reappointment, removal, remuneration and terms of engagement of the independent external auditor, and overseeing the relationship with and reviewing the audit findings of the independent external auditor
- reviewing and monitoring the independence of the external auditor and the effectiveness of the audit process.

The audit committee also monitors the engagement of the independent external auditor to perform non-audit work. During 2021, non-audit work undertaken by the independent auditor was, as in the previous year, routine compliance reporting in connection with covenant obligations applicable to certain group loans (as respects which the governing instruments require that such compliance reporting is carried out by the independent auditor). The audit committee considered that the limited nature and scope of, and remuneration payable in respect of, these engagements were such that the independence and objectivity of the auditor was not impaired. Fees payable are detailed in note 5 to the consolidated financial statements. MHA MacIntyre Hudson ("MHA"), will undertake covenant compliance tasks during 2022, subject to their reappointment at the 2022 AGM.

The members of the audit committee discharge their responsibilities by formal meetings and informal discussions between themselves, meetings with the independent external auditor, with the internal audit function in Indonesia and with management in Indonesia and London and by consideration of reports from management, the Indonesian audit committee and the independent external auditor. Meetings have continued to take place (albeit at times remotely), throughout the period of the Covid pandemic.
The committee provides advice and recommendations to the board with respect to the financial statements to ensure that these offer fair, balanced, understandable and comprehensive information for the purpose of informing and protecting the interests of the company's shareholders.

Composition of the audit committee

The audit committee currently comprises Michael St. Clair-George (chairman) and Rizal Satar. Both are considered by the directors to have relevant financial and professional expertise and experience, as well as experience of the business sector and region in which the company operates, to be able to fulfil their specific duties effectively with respect to the audit committee. The experience of each member of the committee is described under "Board of directors" above.

Meetings

Three audit committee meetings are scheduled each year to match the company's budgeting and reporting cycle. Additional ad hoc meetings are held to discuss specific matters when required, including meetings called at the request of the independent external auditor.

Significant issues related to the financial statements

The committee reviewed the half year financial statements to 30 June 2021 (on which the independent auditor did not report) and the full year consolidated financial statements for 2021 (the "2021 financial statements") contained in this annual report. The external audit report on the latter was considered together with a paper to the committee by the independent auditor reporting on the principal audit findings. The audit partner of MHA responsible for the audit of the group attended the audit planning meeting prior to the year end as well as the meeting of the committee at which the full year audited consolidated financial statements were considered and approved. Senior members of staff of MHA who were involved in the audit also attended the meetings.

A review conducted by the Financial Reporting Council ("FRC") during 2021 of the audit of the company's financial statements for the year ended 31 December 2019 noted that the company had not disclosed in those financial statements the amounts of interest receivable in respect of loans to the stone and coal concession holding companies that had not been recognised during the year or cumulatively as a result of provisions being made against such amounts. The committee accepted that such amounts should be disclosed and, accordingly, the half year financial statements to 30 June 2021 and the 2021 financial statements provide disclosure of such amounts with comparatives.

Audit committee report

continued

Later in 2021 the Corporate Reporting Review ("CRR") team of the FRC reviewed the company's annual report and accounts to 31 December 2020. It requested the following from the company:

- an undertaking that the company will disclose more information about its loan covenant arrangements in future if there are instances of breaches or potential breaches of covenant terms
- an explanation of several inconsistencies in the reported amounts for items recognised in the consolidated statement of comprehensive income ("SOCI") clarification of potential obligations to which the company is exposed as a result of the ongoing tax disputes with the Indonesian tax authorities and how they are reflected in the annual accounts
- further information about the balance reported as "advance payment of taxation"
- further explanation of the expenditure capitalised as property, plant and equipment from administrative expenses.

Based on the responses from the company, it has been agreed as follows:

- to disclose more information about loan covenant arrangements in accordance with IFRS 7 in the future if there are instances of breaches or potential breaches of covenant terms (while noting all covenant tests were passed in 2021)
- to provide restated comparatives for 2020 to reflect the following errors identified, principally in the 2020 SOCI, following consideration of the inconsistencies noted by the FRC:
    - all items within the deferred tax balance sheet movement totalling $8.6 million were recognised in the consolidated income statement ("CIS") and separately $1.8 million was recognised in the consolidated statement of comprehensive income ("SOCI"). This resulted in a duplication of an item that should have only been recognised in the CIS of $1.8 million and a duplication of an item that should only have been recognised in the SOCI of $0.1 million. The deferred tax balance in the consolidated balance sheet was correctly stated as both of these deferred tax errors were reversed in the SOCI within exchange differences on translation of foreign operations ($1.9 million)
    - although the actuarial loss for the year of $0.6 million was correctly booked in retirement benefit obligations in the consolidated balance sheet, it was not recognised correctly in the SOCI; this error was then reversed in the SOCI within exchange differences on translation of foreign operations. In addition, there was an error of $0.2 million in the booking of balances relating to actuarial losses
    - exchange differences on translation of foreign operations in the SOCI were incorrectly stated by virtue of the inclusion of the reversals relating to the deferred tax and actuarial loss errors referred to above; the actual overall exchange differences were correctly recognised in the translation and non-controlling interest reserves in the consolidated balance sheet
    - for one subsidiary an amount of new capital subscribed during the year of $1.2 million was incorrectly allocated between controlling and non-controlling interests; the above noted errors also resulted in a misallocation of items in the SOCI between controlling and non-controlling interests; this meant that the split of reserves between equity and non-controlling interests in the consolidated balance sheet was incorrectly stated
- to make disclosures and quantification of amounts in respect of tax disputes clearer, in particular that there are no potential obligations to which the company is exposed which are not provided in the accounts
- to change the presentation of current tax assets so that they are presented as a line item in the balance sheet, 2020 comparatives have also been restated.

In respect of the scope and limitations of the review, the FRC informed the company that their review was based on the annual report and accounts of the group and did not benefit from detailed knowledge of its business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. The communication and findings of the FRC are not relied upon by the company nor should be relied upon by third parties, including but not limited to investors and shareholders, for assurance purposes on the correctness in all material respects of the annual report or accounts.

The committee wishes to record its thanks to the FRC for its helpful advice.

In relation to the group's audited 2021 financial statements, the committee considered the significant accounting and judgement issues set out opposite.

Significant accounting and judgement issues

Issues	Relevant considerations
The group has reviewed the deferred tax liability that is recognised in the consolidated financial statements as a result of differences between the carrying amounts of financial assets and liabilities in those statements and the corresponding fiscal balances used in reporting taxable results	The computation of deferred tax liabilities is complicated by the complexity of Indonesian tax legislation and by the extent of differences between group and local carrying amounts that have accumulated over many years, in part due to the past requirements of IAS 41 to restate plantings at fair value for group reporting purposes.
Valuation of stone and coal loans: the value of these loans is based on the ability of the stone and coal concession companies to generate revenue in the future	Coal mining resumed in PT Indo Pancadasa Agrotama ("IPA") in 2021. To date there have been three coal shipments, together amounting to 94,500 tonnes. Production from the pit in the southern part of the IPA concession is expected to continue at a rate of 30,000 tonnes per month. Economically mineable coal in this pit is estimated at 400,000 tonnes. Following recent exploratory drilling, development of a mine plan for reopening the pit that was previously mined in the northern part of the IPA concession is in progress. IPA budgeted an average direct mining and barging cost for coal in this pit during 2022 of less than $110 per tonne. Recent increases in diesel prices may, however, result in an actual cost per tonne over 2022 that is above budget. Selling prices of the first shipments from IPA have ranged between $212 and $340 per tonne (delivered FOB vessel). As a result of the profit participation agreed with IPA's contractor, the profit contribution from IPA coal sales (representing the excess of the net proceeds of such sales over the direct costs) is shared between IPA and the contractor in the approximate proportion 70:30. Following agreement in 2020 with a neighbouring coal company PT Aragon Tambang Pratama's ("ATP") project to supply andesite for the new road planned to be built by that company from its coal concession area through the company's estates is now being progressed. At the end of 2021, ATP signed an in principle agreement with the coal mining company in question pursuant to which the coal company intends to purchase 1 million metric tonnes of andesite stone from ATP over a period of 24 months. ATP will also supply stone for infrastructure projects in the group's agricultural operations. Negotiations for the appointment of a contractor to operate the quarry are currently being finalised and quarrying is expected to commence later in 2022. Looking further ahead, local civil works for government projects in East Kalimantan, such as the recently approved proposal to move the Indonesian capital from Java to East Kalimantan, are likely to require substantial quantities of crushed stone. Construction of the new capital, to be called Nusantara (meaning "archipelago"), is reported to be commencing in the near future with the relocation beginning in 2024.
Revenue recognition relating to forward sales	Any forward sales made by the group are priced relevant to benchmarks at the time of delivery and so are not at fixed prices.

Audit committee report

continued

Issues	Relevant considerations
Land titles: the group has reviewed the estimated economic life of its non-current plantation operating assets to assess whether or not they should be depreciated	The committee has considered and taken independent advice regarding Indonesian land tenure law and regulations as applied to oil palm plantations. The Indonesian system of land tenure for agricultural purposes ("Hak Guna Usaha" or "HGU") gives the licensee rights to occupy for periods of up to 35 years, followed by an extension and then further renewals of between 25 and 35 years. The directors have concluded that acquiring an HGU represents the in-substance purchase of an item of property, plant and equipment. To reach this conclusion the directors have made the judgements that the initial payment to acquire an HGU is consistent with a payment to purchase the land and valid renewal requests are always granted by the Indonesian administration (at least until a significant change in law or government policy occurs). The alternative is to treat an HGU as the lease of land rights and so depreciate the cost over the period of the HGU. Either treatment requires review of whether or not these assets are impaired at period ends. From 1 January 2017, the group moved to a position of considering land titles (previously known as "pre-paid operating lease rentals") as a class of fixed assets with no amortisation, bringing the group's treatment into line with other companies in the oil palm sector. Previously, the group had amortised the pre-paid operating lease rentals at group level although Indonesian standards had not required any amortisation in the local accounts. Land rights in the past have been generally renewed without issue and it is a reasonable assumption that HGUs will continue to be renewed or extended. Further, land suitable for oil palm development and subject to HGUs can be readily bought and sold. Accordingly, and taking account of independent advice, the committee considers that the group should continue to adopt the policy that land titles are treated as fixed assets with no amortisation, in line with local treatment and with other oil palm groups.

In its review of the annual report and the consolidated financial statements, the committee considered management's submissions on the matters above, together with the conclusions reached by the independent auditor, to ensure that the annual report and the consolidated financial statements are fair, balanced and understandable and provide sufficient information to enable shareholders to make an assessment of the group's position, performance, business model and strategy.

External audit

The independent external auditor, MHA MacIntyre Hudson ("MHA") (a member firm of Baker Tilly International), was appointed as the group's external auditor in 2020, following approval of their appointment by the company's shareholders at the annual general meeting held in 2020. Rakesh Shaunak is the group's audit engagement partner.

The company's former audit engagement partner of Deloitte LLP was required to step down at the conclusion of the 2019 audit after five years as the group's audit partner in accordance with the ethical standards of the Financial Reporting Council. Further, a new audit firm (an associate firm of Baker Tilly International) was appointed as auditors of the REA Kaltim sub-group in 2019, following the dissolution of the Indonesian audit firm (part of the Deloitte LLP group) that formerly audited the REA Kaltim sub-group. It was therefore considered that a change of audit firm for the group in 2020 was appropriate and that the new independent auditor should be the UK associate of Baker Tilly International.

The audit committee meets the independent external auditor regularly each year to consider the annual audit plan, specific auditing and accounting matters and the independent auditor's report to the committee. In its assessment of the independent external auditor, the audit committee considered the following criteria and confirmed that it was satisfied that such criteria had been met:

- delivery of a thorough and efficient audit of the group in accordance with agreed plans and timescales
- provision of accurate, relevant and robust advice on, and challenge of, key accounting and audit judgements, technical issues and best practice
- the degree of professionalism and expertise demonstrated by the audit staff
- sufficient continuity planned for within the core audit team
- adherence to independence policies and other regulatory requirements.

Risk management and internal control

The board of the company has primary responsibility for the group's risk management and internal control systems. On behalf of the board, at each meeting the committee conducts a robust assessment of principal, prospective and emerging risks faced by the group and makes recommendations to the board accordingly. Such risks, and the assessment thereof are set out under "Principal risks and uncertainties" in the Strategic report above and are reflected in the "Viability statement" and "Going concern" in the Directors' report above.

The audit committee supervises the internal audit function, which forms a key component of the control systems, and keeps the systems of financial, operational and compliance controls generally under review. Any deficiencies identified are drawn to the attention of the board. The committee is satisfied that the group's systems are effective and sufficient for their purpose.

Internal audit

The group's Indonesian operations have an internal audit function supplemented where necessary by the use of external consultants. The function issues reports on each internal audit topic for consideration by the audit committee in Indonesia. Report summaries and remedial actions are submitted for consideration to the group audit committee. An internal audit programme is agreed at the beginning of each year and supplemented by special audits through the year as and when directed by management. In addition, follow-up audits are undertaken to ensure that necessary remedial action has been taken. Internal audit work continued throughout 2021, in accordance with the internal audit programme agreed with the committee. In the opinion of the audit committee and the board, there is no need for an internal audit function outside Indonesia due to the limited nature of the non-Indonesian operations.

Approved by the audit committee on 21 April 2022 and signed on behalf of the committee by:
MICHAEL A ST. CLAIR-GEORGE
Chairman of the audit committee

Directors' remuneration report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") as amended. The report is split into three main sections: the statement by the chairman of the remuneration committee, the annual report on remuneration and the policy report. The annual report on remuneration provides details of directors' remuneration during 2021 and certain other information required by the Regulations. The annual report on remuneration, excluding the policy report, will be put to an advisory shareholder vote at the company's 2022 annual general meeting. The remuneration policy detailed in the policy report is unchanged from the policy that was previously approved at the company's 2021 annual general meeting.

The Companies Act 2006 requires the independent auditor to report to shareholders on certain parts of the annual report on remuneration and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that have been audited are indicated in that report. The statement by the chairman of the remuneration committee and the policy report are not subject to audit.

Statement by Michael St. Clair-George, chairman of the remuneration committee

The succeeding sections of this directors' remuneration report cover the activities of the remuneration committee during 2021 and provide information regarding the remuneration of executive and non-executive directors. In particular, the report is designed to compare the remuneration of directors with the performance of the company.

The group's policy on remuneration is designed to be clear, simple and consistent with the group's values. The committee believes that remuneration should continue to motivate and reward individual performance in a way that supports the best long term interests of the company, its shareholders and stakeholders. The committee considers that executive remuneration is consistent with such policy and that the award of any bonus, which is wholly discretionary and currently the only variable element of remuneration for the sole executive director, takes account of the group's targets and objectives.

The policy and principles applied by the remuneration committee in fixing the appropriate remuneration of the sole executive director take account of the company's strategy, commercial goals and achievements as well as its sustainability objectives in furtherance of the long term success of the company. In addition, the committee takes into consideration external guidance and benchmarks, including annual publications by leading audit firms regarding directors' remuneration in smaller (FTSE SmallCap) companies, as well as remuneration awards for senior managers of the company in Indonesia and London.

In considering a bonus for the managing director (being the sole executive director) in respect of 2021, the committee confirmed the importance of striking an appropriate balance between positive and negative factors, reward and incentive in the context of the group's financial and share price performance in 2021. The committee noted: adaptations made to address the challenges and changing demands as a consequence of the Covid pandemic, the overall improvement in the group's operational and financial performance, successful completion of the refinancing of bank facilities in Indonesia, with reduced interest rates and extended maturities, human resource initiatives including succession planning in Indonesia and the UK, developments in the stone and coal interests that commenced operation in 2022 and further progress with the group's ESG programme, sustainability benchmarks such as SPOTT, and GHG reporting in accordance with the new requirements.

The committee reflected these factors in awarding the managing director's bonus in respect of 2021 and setting the executive remuneration and specific objectives for 2021. The committee considers that it has struck an appropriate balance between reward and incentive in approving the remuneration package of the managing director for 2022.

Annual report on remuneration

The information provided below under "Single total figure of remuneration for each director", "Pension entitlements", "Scheme interests" and "Directors' shareholdings" has been audited.

Single total figure of remuneration for each director

The remuneration of the executive and non-executive directors for 2020 and 2021 was as follows (stated in sterling as all the directors are remunerated in sterling). There was no remuneration in respect of any long term incentive plan in 2021 or 2020.

2021	Salary and fees (fixed) £'000	All taxable benefits (fixed)* £'000	Annual bonus (variable)** £'000	Pensions (fixed)*** £'000	Total £'000
Managing director					
C E Gysin	348.1	31.5	145.0	13.9	538.5
Chairman and non-executive directors					
D J Blackett	103.0	–	–	–	103.0
I Chia	28.0	–	–	–	28.0
J C Oakley	98.0	–	–	–	98.0
R M Robinow	103.0	10.0	–	–	113.0
R Satar	30.5	–	–	–	30.5
M A St. Clair-George	30.5	–	–	–	30.5
Total	741.1	41.5	145.0	13.9	941.5

2020	Salary and fees (fixed) £'000	All taxable benefits (fixed)* £'000	Annual bonus (variable)** £'000	Pensions (fixed)*** £'000	Total £'000
Managing director					
C E Gysin	348.1	32.2	100.0	13.9	494.2
Chairman and non-executive directors					
D J Blackett	100.0	–	–	–	100.0
I Chia	27.0	–	–	–	27.0
J C Oakley	127.0	–	–	–	127.0
R M Robinow	100.0	8.5	–	–	108.5
R Satar	29.5	–	–	–	29.5
M A St. Clair-George	29.5	–	–	–	29.5
Total	761.1	40.7	100.0	13.9	915.7

* Types of benefit: health insurance, rental accommodation
** In respect of the applicable year (awarded in the subsequent year)
*** Contributions to auto enrolment workplace pension

Fees paid to Michael St. Clair-George and Rizal Satar in 2020 and 2021 included additional remuneration at the rate of £2,500 per annum in respect of their membership of the audit committee. Fees paid to John Oakley in 2020 and 2021 include additional remuneration for his assistance with various operational projects. Such additional duties ceased at the end of 2021.

Pension entitlements

In the past, executive directors were eligible to join the R.E.A. Pension Scheme, a defined benefit scheme of which details are given in note 35 to the consolidated financial statements. That scheme is now closed to new members and it is no longer the policy of the company to offer pensionable remuneration to directors, except to the extent required under local legislation.

Mr Oakley (who was aged 73 at 31 December 2021) is a pensioner member of the scheme. Details of Mr Oakley's annual pension entitlement are set out below:

	£
In payment at beginning of year	81,464
Increase during the year	488
In payment at end of year	81,952

Scheme interests awarded during the financial year

There were no scheme interests awarded during the financial year.

Directors' remuneration report

continued

Directors' shareholdings

There is no requirement for directors to hold shares in the company.

At 31 December 2021, the interests of directors (including interests of persons connected with directors) in the 9 per cent cumulative preference shares of £1 each, ordinary shares of 25p each of the company and warrants to subscribe ordinary shares were as set out in the table below:

Directors	Preference shares	Ordinary shares	Warrants to subscribe ordinary shares
D J Blackett	250,600	131,144	–
I Chia	–	1,000	–
C E Gysin	91,957	2,132	–
J C Oakley	–	442,493	–
R M Robinow	100,000	13,046,587	1,734,330
M A St. Clair-George	2,108	129,371	–

There have been no changes in the interests of the directors between 31 December 2021 and the date of this report.

Scheme interests

No director currently holds any scheme interests in shares of the company and there is no current intention that any such interests should be granted.

A long term incentive plan (the "2015 scheme") was approved by shareholders in June 2015. The 2015 scheme is linked to the market price performance of ordinary shares in the company, designed with a view to participation over the long term in value created for the group.

Under the 2015 scheme, participants are awarded potential entitlements over notional ordinary shares of the company. These potential entitlements then vest to an extent that is dependent upon the achievement of certain targets. Vested entitlements are exercisable in whole or part at any time within the six years following the date upon which they vested. On exercising a vested entitlement, a participant receives a cash amount for each ordinary share over which the entitlement is exercised, equal to the excess (if any) of the market price of an ordinary share on the date of exercise over the price at which the entitlement was granted, subject to adjustment for subsequent variations in the share capital of the company in accordance with the rules of the plan.

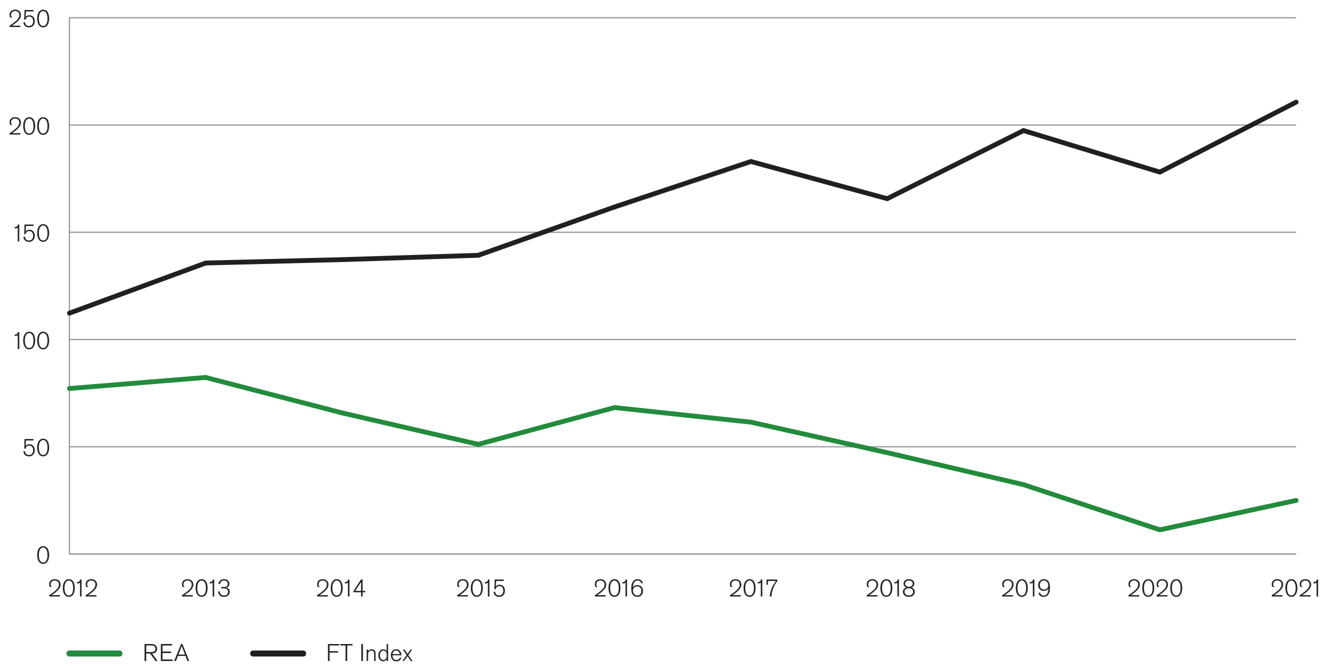
The 2015 scheme provides that the vesting of a participant's potential entitlements to notional ordinary shares be determined by key performance targets with each performance target measured on a cumulative basis over a designated performance period. Targets for any award made under the 2015 scheme are subject to adjustment at the discretion of the remuneration committee where, in the committee's opinion, warranted by actual performance.

The exercise of vested entitlements depends upon continued employment with the group. In accordance with scheme rules, if a participant leaves, he may exercise a vested entitlement within six months of leaving.

In the event of a change in control of the company as a result of a takeover offer or similar corporate event, vested entitlements would be exercisable for a period of one month following the date of the change of control or other relevant event (as determined by the remuneration committee).

Performance graph and managing director remuneration table

The following graph shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index also measured by total shareholder return. The FTSE All Share index has been selected for this comparison as there is no index available that is specific to the activities of the company.



Record of remuneration of the managing director

The table below provides details of the remuneration of the managing director over the ten years to 31 December 2021.

Managing director's remuneration		Single figure of total remuneration £'000	Annual bonus pay-out against maximum %	Long term incentive vesting rates against maximum opportunity %
2021	C E Gysin	538.5	83	N/A
2020	C E Gysin	494.2	57	N/A
2019	C E Gysin	439.8	35	N/A
2018	C E Gysin	473.3	67	N/A
2017	C E Gysin (for the period 21 February to 31 December 2017)	400.3	50	N/A
2017	M A Parry (for the period 1 January to 20 February 2017*)	412.8	N/A	N/A
2016	M A Parry	617.3	92	N/A
2015	M A Parry	541.7	88	N/A
2015	J C Oakley	473.9	60	N/A
2014	J C Oakley	453.3	67	N/A
2013	J C Oakley	488.8	65	N/A
2012	J C Oakley	499.5	71	N/A

* Includes £200,000 ex gratia payment for loss of office pursuant to a resolution of shareholders in 2017

Percentage change in remuneration of the managing director

The table below shows the percentage changes in the remuneration of the managing director and in the average remuneration of certain senior management and executives in Indonesia between 2020 and 2021. The selected comparator employee group is considered to be the most relevant taking into consideration the nature and location of the group's operations. Using the entire employee group would involve comparison with a workforce in Indonesia, whose terms and conditions are substantially different from those pertaining to employment in the UK. In order to achieve a meaningful comparison, the 2020 remuneration of the selected comparator employee group has been restated to reflect only the remuneration in that year of those employees comprising the 2021 selected comparator employee group. The 2020 remuneration of the selected group has also been restated at prevailing average exchange rates for 2021 so as to eliminate distortions based on exchange rate movements of the rupiah and dollar against sterling.

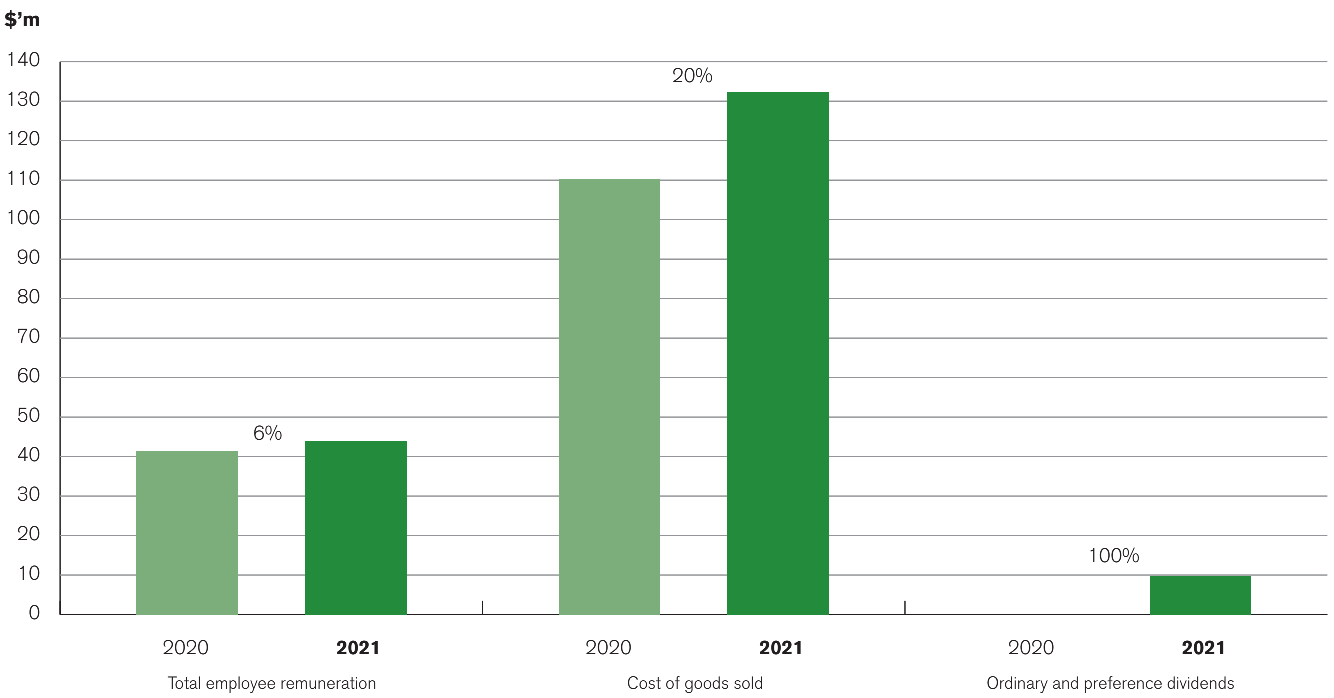
Directors' remuneration report
continued

Percentage change in managing director's remuneration	2021 £'000	2020 £'000	change %
Salary	348.1	348.1	–
Benefits	31.5	32.2	(2.2)
Annual bonus	145.0	100.0	45.0
Pension	13.9	13.9	–
Total	538.5	494.2	9.0

Percentage change in average remuneration of selected employee group	2021 £'000	2020 £'000	change %
Salary	220.7	215.0	2.7
Benefits	17.9	17.3	3.9
Annual bonus	57.8	49.4	16.9
Total	296.4	281.7	5.2

Relative importance of spend on pay

The graph below shows the movements between 2020 and 2021 in total employee remuneration, cost of goods sold and ordinary and preference dividends. Cost of goods sold has been selected as an appropriate comparator as it provides a reasonable measure of the growth in the group's activities.



Employee remuneration costs for 2021 are shown before a one off credit of $2.7 million (see note 35 to the consolidated financial statements) relating to Indonesian retirement obligations. The future liability was reduced following a change in labour legislation

Functions of the remuneration committee

The remuneration committee currently comprises independent non-executive directors, Michael St. Clair-George (chairman) and Rizal Satar. The committee sets the remuneration and benefits of the executive directors. The committee is also responsible for long term incentive arrangements, if any, for key senior executives in Indonesia.

The committee does not use independent consultants but takes into consideration external guidance, including annual publications by leading audit firms regarding directors' remuneration in smaller (FTSE SmallCap) companies. The chairman plays no part in the discussion of his own remuneration, which is a matter for determination between the other member of the committee and fellow directors.

Service contracts of directors standing for re-election

David Blackett, Carol Gysin, John Oakley, Richard Robinow, Rizal Satar and Michael St. Clair-George are proposed for re-election at the forthcoming annual general meeting. Carol Gysin, the managing director and sole executive director has a service contract of which the unexpired term is nine months. All the non-executive directors have contracts for services to the company which are terminable at will by either party.

Statement of voting at general meeting

At the annual general meeting held on 10 June 2021, votes lodged by proxy in respect of the resolution to approve the 2020 directors' remuneration report were as follows:

	Votes for	Percentage for	Votes against	Percentage against	Total votes cast	Votes withheld
Voting on remuneration report*	47,801,203	99.7	141,570	0.3	47,942,773	22,926

* Includes votes in respect of both ordinary and preference shares

The company pays due attention to voting outcomes. Where there are substantial votes against resolutions in relation to directors' remuneration, relevant information pertaining to such votes will be published on the group's website, the reasons for any such vote will be sought, and any actions in response will be detailed in the next directors' remuneration report.

Policy Report

The information provided in this part of the directors' remuneration report is not subject to audit.

The remuneration policy detailed below was approved at the company's 2021 annual general meeting on 10 June 2021 in accordance with the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013 requiring all companies to put their remuneration policy to shareholders for approval at least every three years. The policy is unchanged from the policy approved by shareholders on 10 June 2021. The remuneration of directors approved in respect of 2022 is consistent with this policy.

Future policy tables

The table below provides a summary of the key components of the company's policy in respect of the remuneration package for each executive director. In determining and implementing such policy, the company seeks to ensure that arrangements are clear and transparent, straightforward, predictable as regards the range of any discretionary awards, and proportionate in terms of targets and values in the context of the company's business and strategy. It is not the policy of the company to provide for possible recovery after payment of directors' remuneration except in respect of awards under the 2015 long term incentive plan (of which, currently, there are none).

	Purpose	Operation	Opportunity	Applicable performance measures
Executive directors				
Salary and fees	To provide a competitive level of fixed remuneration aligned to market practice for comparable organisations, reflecting the demands, seniority and location of the position and the expected contribution to achievement of the company's strategic objectives	Reviewed annually with annual increases effective from 1 January by reference to: the rate of inflation, specific responsibilities and location of the executive, current market rates for comparable organisations, rates for senior employees and staff across the operations, and allowing for differences in remuneration applicable to different geographical locations	Within the second or third quartile for similar sized companies	None

Directors' remuneration report
continued

	Purpose	Operation	Opportunity	Applicable performance measures
Executive directors				
Taxable benefits	To attract, motivate, retain and reward fairly individuals of suitable calibre	Benefits customarily provided to equivalent senior management in their country of residence	The cost of providing the appropriate benefits, subject to regular review to ensure that such costs are competitive	None
Annual bonus	To incentivise performance over a 12 month period, based on achievements linked to the company's strategic objectives	Annual review of performance measured against prior year progress in corporate development, both commercial and financial, and including objectives relating to sustainability and governance	Up to a maximum of 50 per cent of annual base salary	A range of objectives for the respective director, reflecting specific goals for the relevant year, with weighting assessed annually on a discretionary basis depending upon the dominant influences during the year to which a bonus relates
Long term incentives	To provide incentives, linked to ordinary shares, with a view to participation by the director over the long term in the value that a director helps to create for the group	The grant of rights to acquire shares or to receive cash payments vesting by reference to the achievement over a defined period of certain key performance targets	Cumulative unvested awards, measured at face value on dates of grant, limited to 150 per cent of prevailing annual base salary (200 per cent in exceptional circumstances)	Total shareholder return, cost per tonne of CPO produced, and the annual extension planting rate achieved in proportions considered at the remuneration committee's discretion appropriate to the company's objectives at the time of making any award
Pensions	Compliance with prevailing legislation	Compliance with prevailing legislation	Compliance with prevailing legislation	None
Non-executive directors				
Fees	To attract and retain individuals with suitable knowledge and experience to serve as directors of a listed UK company engaged in the plantation business in Indonesia	Determined by the board within the limits set by the articles of association and by reference to comparable organisations and to the time commitment expected; reviewed annually		
Fees for additional duties	An additional flat fee in each year in respect of membership of certain committees and additional fees in respect of particular services performed	Determined by the board having regard to the time commitment expected and with no director taking part in the determination of such additional remuneration in respect of himself; reviewed annually		
Taxable benefits	Continuance of previously agreed arrangements	The provision of private medical insurance, subject to regular review to ensure that the cost is competitive		

The policies on remuneration set out above in respect of executive directors are applied generally to the senior management and executives of the group but adjusted appropriately to reflect the position, role and location of an individual. Remuneration of other employees, almost all of whom are based in Indonesia, is based on local and industry benchmarks for basic salaries and benefits, subject as a minimum to an annual inflationary adjustment, and with additional performance incentives as and where this is appropriate to the nature of the role.

Approach to recruitment remuneration

In setting the remuneration package for a newly appointed executive director, the committee will apply the policy set out above.

Base salary and bonuses, if any, will be set at levels appropriate to the role and the experience of the director being appointed and, together with any benefits to be included in the remuneration package, will also take account of the geographical location in which the executive is to be based. The maximum variable incentive which may be awarded by way of annual bonus will be 50 per cent of the annual base salary and by way of long term incentive will be 150 per cent of annual base salary, except in exceptional circumstances when the maximum long term incentive would be 200 per cent of annual base salary.

In instances where a new executive is to be domiciled outside the United Kingdom, the company may provide certain relocation benefits to be determined as appropriate on a case by case basis taking account of the specific circumstances and costs associated with such relocation.

Directors' service agreements and letters of appointment

The company's policy on directors' service contracts is that contracts should have a notice period of not more than one year and a maximum termination payment not exceeding one year's salary. No director has a service contract that is not fully compliant with this policy.

Contracts for the services of non-executive directors may be terminated at the will of either party, with fees payable only to the extent accrued to the date of termination. Continuation of the appointment of each non-executive director depends upon satisfactory performance and re-election at annual general meetings in accordance with the articles of association of the company and the provisions of the UK Corporate Governance Code.

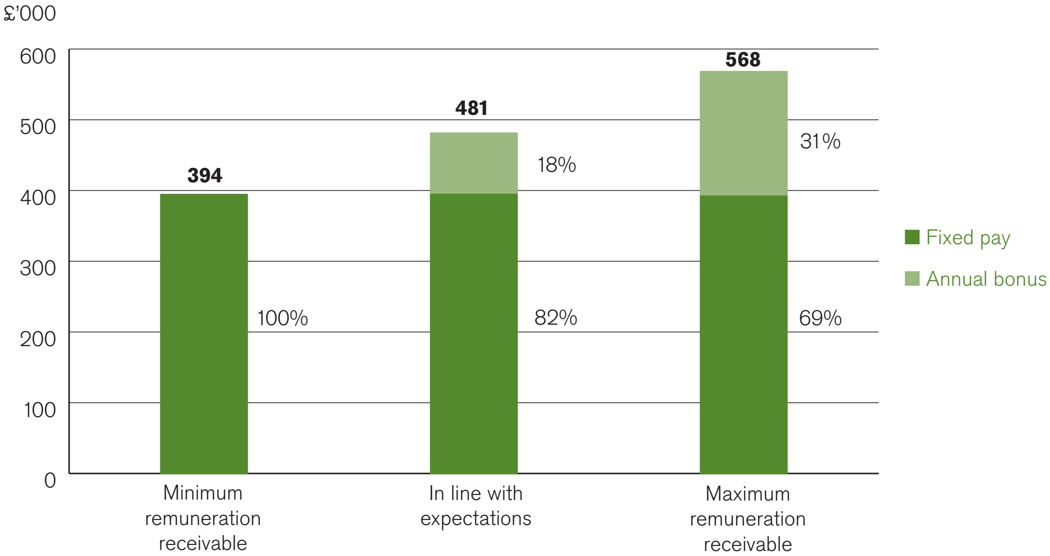
Carol Gysin has two service agreements whereby her working time and remuneration are shared between two employee companies to reflect the division of responsibility between different parts of the group. The contracts state that her appointment shall continue until automatically terminated on 31 January 2023 without the need for notice unless it is previously terminated by either party giving the other at least 12 months' prior written notice expiring before 31 January 2023. As at the date of this report, the unexpired term under Carol Gysin's contracts was nine months. The nomination committee will consider the arrangements in respect of Carol Gysin prior to 31 December 2022, so as to leave sufficient time to make suitable arrangements to ensure continuity for the company and its shareholders.

Illustration of application of remuneration policy

The chart below provides estimates of the potential remuneration receivable pursuant to the remuneration policy by the managing director (being the only executive director) and the potential split of such remuneration between its different components (being the fixed component, the annual variable component and the long term variable component) under three different performance scenarios: minimum, in line with expectations and maximum. The long term variable component in respect of 2021 is nil.

Directors' remuneration report
continued

Managing director



The figures reflected in the chart above have been calculated against the policies that were applicable throughout 2021 and on the basis of remuneration payable in respect of 2022.

Payment for loss of office

It is not company policy to include provisions in directors' service contracts for compensation for early termination beyond providing for an entitlement to a payment in lieu of notice if due notice is not given.

The company may cover the reasonable cost of repatriation of any expatriate executive director and the director's spouse in the event of termination of appointment, other than for reasons of misconduct, and provided that the move back to the director's home country takes place within a reasonable period of such termination.

Consideration of employment conditions elsewhere in the company

In setting the remuneration of executive directors, regard will be had to the levels of remuneration of expatriate employees overseas and to the increments granted to employees operating in the same location as the relevant director. Employee views are not specifically sought in determining this policy. Employee salaries will normally be subject to the same inflationary adjustment as the salaries of executive directors in their respective locations.

Shareholder views

Shareholders are not specifically consulted on the remuneration policy of the company. Shareholders who have expressed views on remuneration have supported the company's policies and the application of those policies to date. Were a significant shareholder to express a particular concern regarding any aspect of the policy, the views expressed would be carefully weighed.

Approved by the board on 21 April 2022 and
signed on behalf of the board by
MICHAEL A ST. CLAIR-GEORGE
Chairman of the remuneration committee

Directors' responsibilities

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

UK company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards ("IFRS") and with the Companies Act 2006, as applicable to companies reporting under international accounting standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted IFRS, with future changes being subject to endorsement the by UK Endorsement Board. There was no impact or changes in accounting from the transition. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the applicable financial year.

In preparing the financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with the specific requirements in UK adopted IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

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

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

Approved by the board on 21 April 2022 and signed on behalf of the board by
DAVID J BLACKETT
Chairman

Independent auditor's report to the members of R.E.A. Holdings plc

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of R.E.A. Holdings plc. For the purposes of the table on pages 80 to 81 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson and/or our component teams. The Group financial statements, as defined below, consolidate the accounts of R.E.A. Holdings plc and its subsidiaries (the "Group"). The "Parent Company" is defined as R.E.A. Holdings plc. The relevant legislation governing the Parent Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of R.E.A. Holdings plc for the year ending 31 December 2021 which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the related consolidated Notes 1 to 40;
- the Company Balance Sheet;
- the Company Statement of Changes in Equity; and
- the related Parent Company Notes i to xvi.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard Financial Reporting Standard 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the group and parent company's operations and specifically its business model.
- The evaluation of how those risks might impact on the group and parent company's available financial resources.
- The evaluation of compliance and future compliance with banking covenants and associated actions that could be taken to address actual or potential covenant breaches.
- Where additional resources may be required the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination of both base and sensitised cash flow projections.
- Solvency considerations including examination of budgets and forecasts and their basis of preparation.
- Viability assessment including consideration of reserve levels and business plans.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going
concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality	2021	2020	Basis for 2021
Group	$4.6m	$4.8m	1.5% of Plantation assets
Parent	$2.8m	$2.7m	1.0% of gross assets
	$0.24m	$0.24m	Threshold for reporting to those charged with governance
			Plantation assets which we have defined as the sum of: ▪ Plantings ($109m) ▪ Buildings and structures ($191m) ▪ Biological assets ($4m)

Key audit matters

Recurring Group	▪ Valuation of plantation assets ▪ Valuation of loans to Stone and Coal interests Our assessment of the Group's key audit matters is consistent with 2020 except for: ▪ The removal of the key audit matter in relation to the valuation and presentation of sterling notes, which was included due to the amendments made to the notes in 2020.

Independent auditor's report to the members of R.E.A. Holdings plc continued

The scope of our audit and our key audit matters

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements and the financial report. In particular, we looked at where the Directors made subjective judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

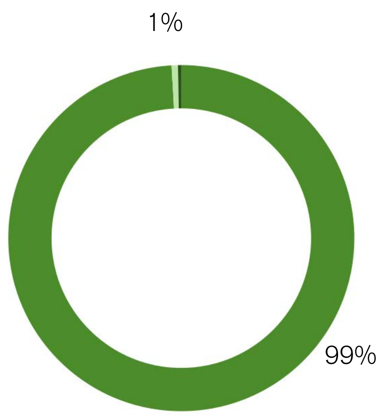
The Group's parent entity, head office and services company are UK based, whilst the plantations are based in Indonesia and the financing company is based in the Netherlands.

Considering operational and financial performance and risk factors, we focused our assessment on the significant components and performed full scope audits of the three UK entities and the four significant Indonesian plantation components PT R.E.A. Kaltim Plantations (RKP), PT Cipta Davia Mandiri (CDM), PT Sasana Yudha Bhakti (SYB) and PT Kutai Mitra Sejahtera (KMS) along with specified group level audit procedures on the material external balances at the non-significant Indonesian components and the Dutch financing company, REA Finance B.V.

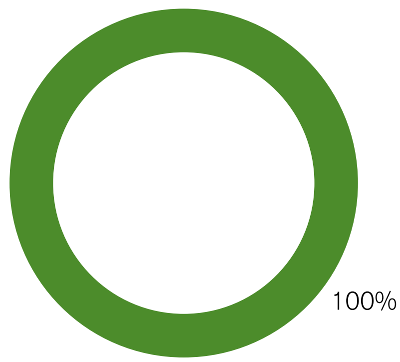
Our audit of the group financial statements also involved the use of component auditors, Baker Tilly Indonesia. The group audit team provided comprehensive instructions to those component auditors. These instructions included details of the identified risks of material misstatement including those risks identified above. Those instruction also included an assessment of component materiality.
The group audit team discussed and agreed the proposed approach to addressing these risks with the component auditors and the nature and form of their reporting on the results of their work. The group team conducted reviews of the working papers prepared by component auditors using remote file reviews. They also participated in conference calls at various phases of the audit engagement as part of their management and control of the group audit engagement.

The work over the significant components, combined with the specific targeted procedures on REA Finance B.V., PT Kartanegara Kumala Sakti, PT Persada Bangun Jaya, PT Prasetia Utama and PT KCC Resources Indonesia, gave us coverage of 100% of revenue and we performed analytical review procedures over the remaining trading entities to ensure we had the evidence needed to form our opinion on the financial statements as a whole.

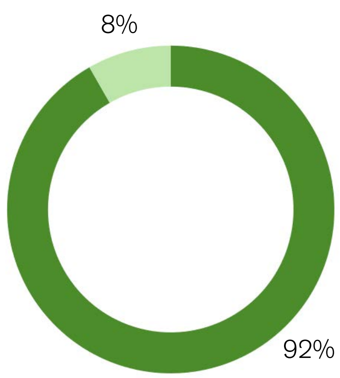
Profit before tax

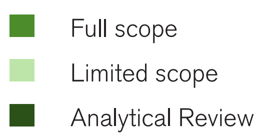


Revenue



Net assets





Notes:

- Full scope refers to the conduct of an audit of the components underlying financial information in accordance with ISAs UK.
- Limited scope incorporates those circumstances where component auditors have been instructed to perform certain procedures on financial statements areas or specific financial statement line items for individual components.
- Component auditors of lower risk components will usually be instructed to conduct a review of the financial position and performance of the component comparing the actual performance of that component with their valid expectations based on their knowledge of the entity and any known changes in its operational environment and investigating any unusual or unexpected results.
- Some components have been identified as being immaterial to the group individually and in aggregate.

Material subsidiaries were determined based on:

- financial significance of the component to the Group as a whole; and
- assessment of the risk of material misstatements applicable to each component.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Independent auditor's report to the members of R.E.A. Holdings plc continued

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 of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team

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.

Valuation of plantation assets

<table>
<tr><td>Key audit matter description</td><td>Plantation assets, as defined by the Group, had a book value of $406m at 31 December 2021 ($430m at 31 December 2020). There is a risk of impairment due to the losses experienced in the prior years and due to the volatility of Crude Palm Oil (CPO) prices.

The valuation of these assets relies on certain assumptions and estimates in relation to the ability of the underlying plantations to generate suitable future cash flows. The key input to the valuation is the CPO price which requires the judgement of the directors. The CPO price is known to be volatile, and the use of an inappropriate CPO price could have a material impact on the valuation of plantation assets.

The discount rate used is also a key input to the valuation and requires the judgement of the directors. The calculation of the discount rate includes certain inputs that are judgemental. The use of an inappropriate discount rate could have a material impact on the valuation of plantation assets.

As disclosed in note 1, critical accounting judgements and key sources of estimation uncertainty, management has performed a sensitivity analysis which involves judgement over the potential impact of a change in CPO pricing and the discount rate used.

Further details are included within critical accounting estimates and judgements note in note 1.</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter</td><td>Our work over the valuation of plantation assets included:

▪ Obtaining an understanding of the review controls over the impairment assessment including the CPO price and discount rate assumptions to ensure there is an appropriate management review control;
▪ Assessing arithmetic workings of the model and the integrity of the formulae used;
▪ Comparing CPO price currently, at the balance sheet date and through 2021;
▪ Comparing to REAs average selling price over the past 10 years;
▪ Comparing the forecast CPO prices used in the model to those forecast by the World Bank;
▪ Assessing the historical accuracy of the World Bank price forecasts;
▪ Reviewing publicly available news articles and other publications commenting on the expectations for the CPO price and global demand and supply;
▪ Assessing the level of impairment at different CPO prices;
▪ Assessing the appropriateness of the methodology used in calculating the discount rate;
▪ Corroborating the inputs to the calculation of the discount rate and assessing the appropriateness of the inputs used;
▪ Challenging management to understand why in the light of the above they believe their price and discount rate assumptions were appropriate; and
▪ Reviewing the events after the reporting period and testing the sensitivity analysis on palm oil price and discount rate changes.</td></tr>
</table>

Key observations	We have concluded that the carrying value of plantation assets is accurate and that no impairment is required. The conclusion that there is no impairment is critically dependent on the assumptions relating to the CPO price and discount rate and therefore this sensitivity is disclosed in the notes to the accounts.

Recoverability of loans to Stone and Coal interests

Key audit matter description	The group holds loans made to stone and coal concessions in Indonesia for which control is outside of the group. We have focused our work on the stone concession as the stone company has guaranteed the loans of the coal companies and the majority of the value lies in the stone concession. The recoverability of these loans rely on certain assumptions and estimates in relation to the likelihood of the underlying investments generating suitable future cash flows. At 31 December 2021 the carrying value of the loans was $55.1m, a decrease from $57.5m at 31 December 2020 (see note 17). We have identified a significant risk surrounding whether the underlying assets of the counterparties will generate suitable future profits in order to repay the loans made by R.E.A. Holdings plc. We have pinpointed the risk to be around the level of resources available as the majority of the value in the discounted cash flow (DCF) is subject to the level of resources successfully mined. Other important assumptions we identified are the start date of mining, discount rate, selling price and FX rate.
How the scope of our audit responded to the key audit matter	We have challenged management's plans and cash flow forecasts in relation to the mining operations to support the value of investments in the coal and quarry interests. Our work on the significant risks and the DCF model included: ▪ Agreeing stone reserves and costs to third party mining and engineering reports; ▪ Assessing the initial results of revenue generating interests against expectations; ▪ Considering evidence gained from third party sources for the demand of stone to assess whether this supports the start date and the lifetime of mining operations; ▪ Obtaining an understanding of the review control over the impairment assessment to ensure there is an appropriate second pair of eyes review of the calculation and underlying assumptions; ▪ We challenged the appropriateness of the discount rate used in the models, through assessment verses third party sources of information and comparison to other comparable companies; ▪ Challenging the expected price of stone by comparison to recent third-party quotations; and ▪ Checking the numerical accuracy of the DCF.
Key observations	Based on the procedures performed, we noted no material issues from our work.

Our application of materiality

The scope of our audit was influenced by our application of materiality. Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls, the impact of there being a number of components and locations and the level of misstatements arising in previous audits.

Independent auditor's report to the members of R.E.A. Holdings plc continued

	Group financial statements	Parent Company financial statements
Overall materiality	US$ 4.6 million (2020: US$ 4.8 million)	US$ 2.8 million (2020: US$ 2.7 million)
How we determined it	1.5% of plantation assets (2020: 1.5% of plantation assets) We have defined plantation assets as the sum of: ▪ Plantings - $109m ▪ Buildings & Structures - $191m ▪ Biological Assets $4m	1.0% of Parent Company's gross assets (2020: 1.0% of Parent Company's gross assets)
Rationale for the benchmark applied	We consider the valuation of plantation assets is a key indicator for the current and future performance of the company. It is the KPI of critical interest to the users of the financial statements of R.E.A. Holdings plc as it is the key measure of the company's success in developing its palm oil plantations and is an indicator of future revenue generation. We consider this approach of using a balance sheet metric to be more appropriate than an assessment using a profit-based metric given the nature of the Group which is exposed to cyclical commodity price fluctuations and to therefore provide a more stable base reflective of the scale of the Group's size and operations. We set our 2021 performance materiality at 60% of overall materiality, amounting to $2.8m (2020: 60%) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors - the history of misstatements, our risk assessment and the strength and robustness of the control environment.	The parent company is a holding company whose purpose is to consolidate the active trading entities and a number of other group companies. We consider gross assets to be the most important balance to the users of the financial statements. We set our 2021 performance materiality at 60% of overall materiality, amounting to $1.7m (2020: 60%) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors - the history of misstatements, our risk assessment and the strength and robustness of the control environment.

We agreed with the Audit Committee that we would report to them all audit differences in excess of US$ 0.24 million (2020: US$ 0.24 million) for the Group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with applicable legal requirements.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with Rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.22, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report;
- the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting process and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received by branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified.
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate.
- Directors' statement on fair, balanced and understandable.
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks.

Independent auditor's report to the members of R.E.A. Holdings plc continued

- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems.
- The section describing the work of the Audit Committee.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 75, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to both reduce costs and inflate operating profit, and management bias in accounting estimates.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- enquiry of management to identify any instances of known or suspected instances of fraud.
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. We obtained this understanding through assessing the risk register of the Group and understanding the Group's response to assessing the legal and regulatory frameworks that apply to it. In addition, we leveraged our understanding of the legal and regulatory framework applicable to UK listed entities and to those in plantation sector. This included, but was not limited to, discussions with the Group's key legal advisers and review of minutes of the Group's various governance committees.
- the key laws and regulations we considered in this context included UK Companies Act, Listing Rules, and tax legislation. In addition, we considered compliance with the employee legislation and environmental regulations as fundamental to the Group's operations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax and IT;
- enquiring of the Audit Committee concerning actual and potential litigation and claims;
- evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular, with respect to valuations of plantation assets and valuations of loans to stone and coal interests:
- identifying and testing journal entries, in particular, any journal entries posted with understatement of costs, journals that are backdated or posted by senior management;
- the use of data analytics software to interrogate the journals posted in the year and to review areas where the incentive to override controls may be greatest. We also used our data analytics tool to identify potential transactions with related parties.
- review of legal expenses incurred for evidence of potential undisclosed contingent liabilities.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement team includes audit partners and staff who have extensive experience of working with listed companies, and this experience was relevant to the discussion about where the risk of irregularities, including fraud may arise

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the members of the company by ordinary resolution at the Annual General Meeting held on 10 June 2021 to audit the financial statements for the year ending 31 December 2021. Our total uninterrupted engagement is 2 years, covering the years ending 31 December 2020 to 31 December 2021.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Company, and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Rakesh Shaunak FCA
Senior Statutory Auditor
For and on behalf of
MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
London, United Kingdom
21 April 2022

Consolidated income statement

for the year ended 31 December 2021

	Note	2021 $'000	2020* $'000
Revenue	2	**191,913**	**139,088**
Net gain / (loss) arising from changes in fair value of agricultural produce inventory	4	2,661	(777)
Cost of sales	2	(132,420)	(110,184)
Gross profit	2	**62,154**	**28,127**
Distribution costs		(637)	(2,835)
Administrative expenses	5	(13,434)	(16,486)
Operating profit		**48,083**	**8,806**
Investment revenues	7	1,483	525
Impairments and similar charges	8	–	(9,483)
Finance costs	9	(20,368)	(23,098)
Profit / (loss) before tax	5	**29,198**	**(23,250)**
Tax	10	(19,937)	7,232
Profit / (loss) for the year		**9,261**	**(16,018)**
Attributable to:			
Equity shareholders		7,326	(13,604)
Non-controlling interests	32	1,935	(2,414)
		9,261	**(16,018)**
Loss per 25p ordinary share (US cents)	12	**(3.4)**	**(31.0)**

* Restated – see note 37

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

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	2021 $'000	2020* $'000
Profit / (loss) for the year		**9,261**	**(16,018)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Deferred tax impact of change in subsidiary's functional currency	27	497	–
Exchange differences on translation of foreign operations		2	(1)
		499	(1)
Items that will not be reclassified to profit or loss:			
Correction of actuarial losses booked		–	(196)
Actuarial gains / (losses)	35	759	(620)
Deferred tax on actuarial (gains) / losses	27	(154)	105
		605	(711)
Total comprehensive income for the year		**10,365**	**(16,730)**
Attributable to:			
Equity shareholders		8,560	(14,034)
Non-controlling interests		1,805	(2,696)
		10,365	**(16,730)**

* Restated – see note 37

Consolidated balance sheet

as at 31 December 2021

	Note	2021 $'000	2020* $'000
Non-current assets			
Goodwill	13	12,578	12,578
Intangible assets	14	361	1,098
Property, plant and equipment	15	365,798	376,551
Land	16	43,640	39,879
Financial assets: stone and coal interests	17	55,107	57,548
Deferred tax assets	27	4,275	8,931
Non-current receivables		5,300	5,302
Total non-current assets		487,059	501,887
Current assets			
Inventories	19	17,832	16,069
Biological assets	20	4,154	2,953
Trade and other receivables	21	34,284	39,890
Current tax asset		1,230	1,169
Cash and cash equivalents	22	46,892	11,805
Total current assets		104,392	71,886
Total assets		**591,451**	**573,773**
Current liabilities			
Trade and other payables	30	(54,720)	(47,201)
Current tax liabilities		(5,705)	(4,443)
Bank loans	24	(16,955)	(54,148)
Dollar notes	26	(26,985)	-
Other loans and payables	28	(7,293)	(7,321)
Total current liabilities		(111,658)	(113,113)
Non-current liabilities			
Trade and other payables	30	(1,489)	(20,712)
Bank loans	24	(119,871)	(56,062)
Sterling notes	25	(42,533)	(42,908)
Dollar notes	26	-	(26,891)
Deferred tax liabilities	27	(45,504)	(39,581)
Other loans and payables	28	(24,002)	(28,690)
Total non-current liabilities		(233,399)	(214,844)
Total liabilities		**(345,057)**	**(327,957)**
Net assets		**246,394**	**245,816**
Equity			
Share capital	31	133,586	133,586
Share premium account		47,358	47,358
Translation reserve		(25,101)	(25,833)
Retained earnings		69,721	71,680
		225,564	226,791
Non-controlling interests	32	20,830	19,025
Total equity		**246,394**	**245,816**

* Restated – see note 37

Approved by the board on 21 April 2022 and signed on behalf of the board.
DAVID J BLACKETT
Chairman

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Share capital (note 31) $'000	Share premium $'000	Translation reserve $'000	Retained earnings $'000	Subtotal $'000	Non-controlling interests (note 32) $'000	Total equity $'000
At 1 January 2020	133,586	47,358	(26,032)	84,779	239,691	12,999	252,690
Loss for the year*	–	–	–	(13,604)	(13,604)	(2,414)	(16,018)
Other comprehensive income for the year*	–	–	199	(628)	(429)	(282)	(711)
Reserve adjustment relating to warrant issue	–	–	–	1,133	1,133	–	1,133
New equity from non-controlling shareholder*	–	–	–	–	–	8,722	8,722
At 31 December 2020	133,586	47,358	(25,833)	71,680	226,791	19,025	245,816
Profit for the year	–	–	–	7,326	7,326	1,935	9,261
Other comprehensive income for the year	–	–	732	502	1,234	(130)	1,104`
Dividends to preference shareholders	–	–	–	(9,787)	(9,787)	–	(9,787)
At 31 December 2021	**133,586**	**47,358**	**(25,101)**	**69,721**	**225,564**	**20,830**	**246,394**

* Restated – see note 37

Overview
Strategic report
Governance
Group financial statements
Company financial statements
Notice of AGM

Consolidated cash flow statement

for the year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Net cash from operating activities	33	**36,920**	**33,479**
Investing activities			
Interest received	7	1,483	525
Proceeds on disposal of property, plant and equipment		2,544	1,066
Purchases of property, plant and equipment		(13,456)	(10,768)
Expenditure on land		(3,754)	(3,897)
Repayment from / (investment in) stone and coal interests		2,441	(7,218)
Net cash used in investing activities		(10,742)	(20,292)
Financing activities			
Preference dividends paid	11	(9,787)	–
Repayment of bank borrowings	23	(110,210)	(18,734)
New bank borrowings drawn	23	137,255	5,250
Repayment of borrowings from related party	23	(4,068)	–
New borrowings from related party	23	–	4,031
Repayment of borrowings from non-controlling shareholder	23	(900)	(6,292)
New equity from non-controlling interests	32	–	8,722
Costs of extending repayment date of sterling notes		–	(459)
Payment of warranty obligations relating to divested subsidiary		–	(663)
Repayment of lease liabilities	29	(2,617)	(2,434)
Net cash from / (used in) financing activities		9,673	(10,579)
Cash and cash equivalents			
Net increase in cash and cash equivalents		35,851	2,608
Cash and cash equivalents at beginning of year		11,805	9,528
Effect of exchange rate changes		(764)	(331)
Cash and cash equivalents at end of year	22	**46,892**	**11,805**

Accounting policies (group)

General information

R.E.A. Holdings plc is a company incorporated in England and Wales and domiciled in the United Kingdom under the Companies Act 2006 with registration number 00671099. The company's registered office is at 5th Floor North, Tennyson House, 159-165 Great Portland Street, London W1W 5PA. Details of the group's principal activities are provided in the Strategic report"

Basis of accounting

The consolidated financial statements are prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS") and with the requirements of the Companies Act 2006, as applicable to companies reporting under IFRS. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted IFRS with future changes being subject to endorsement by the UK Endorsement Board. There was no impact or changes in accounting from the transition. The statements are prepared under the historical cost convention except where otherwise stated in the accounting policies.

For the reasons given under "Going concern" in the "Directors' report", the consolidated financial statements have been prepared on the going concern basis.

Presentational currency

The consolidated financial statements of the group are presented in US dollars, which is consistent with the functional currency of the company and which is also considered to be the currency of the primary economic environment in which the group operates. References to "$" or "dollar" in these financial statements are to the lawful currency of the United States of America.

Adoption of new and revised standards

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

At the date of approval of these financial statements, the standards and interpretations which were in issue but not yet effective that have not been applied in these financial statements are set out below.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current were issued in January 2020 and are effective for the financial year beginning on 1 January 2024 subject to endorsement. The amendments clarify that the classification of liabilities as current or non-current should be based on the rights, in existence at the end of the reporting period, to defer settlement by at least twelve months and not on expectations about whether an entity will exercise these rights.

Amendments to IAS 16 Property, Plant and Equipment were issued in May 2020 and are effective for the financial year beginning on 1 January 2022 subject to endorsement. The amendments prohibit the deduction from the cost of an item of property, plant and equipment of any proceeds from selling items produced while bringing that asset into operation and clarify that these proceeds (and the corresponding costs of production) are recognised in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets were issued in May 2020 and are effective for the financial year beginning on 1 January 2022 subject to endorsement. The amendments clarify that the cost of fulfilling a contract comprises the costs that relate directly to the contract.

The directors do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the group in future periods.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and entities controlled by the company (its subsidiary companies as listed in note (iv) to the company's individual financial statements) made up to 31 December of each year.

A parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over that entity.

The acquisition method of accounting is adopted with assets and liabilities valued at fair values at the date of acquisition. The interest of non-controlling shareholders is stated at the non-controlling shareholders' proportion of the fair values of the assets and liabilities recognised. The share of total comprehensive income is attributed to the owners of the parent and to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Results of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition (when control is obtained) or to the effective date of disposal (when control is lost). Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

On acquisition, any excess of the fair value of the consideration given over the fair value of identifiable net assets acquired is recognised as goodwill. Any deficiency in consideration given against the fair value of the identifiable net assets acquired is credited to profit or loss in the consolidated income statement in the period of acquisition as are any acquisition related costs. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Accounting policies (group)

continued

Goodwill

Goodwill is recognised as an asset on the basis described under "Basis of consolidation" above and once recognised is not amortised although it is tested for impairment at least annually. Any impairment is debited immediately as a loss in the consolidated income statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of any goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment losses.

Intangible assets acquired separately are measured at cost on initial recognition. An intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost to the income statement over its expected useful life.

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. Amortisation is provided on a straight-line basis so as to charge the cost of the software to the income statement over its expected useful life, not exceeding eight years.

The expected useful life of development expenditure on computer software is four to eight years:

Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable in respect of goods and services provided in the normal course of business, net of VAT and other sales related taxes.

Sales of goods are recognised as revenue when contractual entitlement to the goods is transferred to the buyer and include sales in respect of which the contracted goods are available for collection by the buyer in the accounting period.

Most of the group's sales are in respect of the sale of CPO and CPKO which are made on a mix of CIF ("Cost, Insurance and Freight") and FOB ("Free On Board") terms. Revenue is recognised in respect of the shipment of oil at the time of transfer to the buyer, that is upon the completion of the discharge of the oil into the buyer's tank or vessel which is evidenced by a surveyor's report (CIF sales) or a bill of lading (FOB sales).

The group has prepaid sales contracts whereby advance payments are received for future product deliveries. No revenue is recognised until the product delivery and contract transfer. The advance payments are recognised as contract liabilities until the revenue is recognised.

Income from services are accrued on a time basis by reference to the rate of fee agreed for the provision of services.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable (which is the rate that exactly discounts estimated future cash receipts, through the expected life of the financial asset, to that asset's net carrying amount). Dividend income is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable (which is the rate that exactly discounts estimated future cash receipts, through the expected life of the financial asset, to that asset's net carrying amount). Dividend income is recognised when the shareholders' rights to receive payment have been established.

Leases

The group leases boats for the transportation of palm oil and also leases office properties. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Land titles are not treated as leases, but as in-substance fixed assets, with no depreciation.

The lease liability is initially measured at the present value of remaining lease payments, which include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the group's incremental borrowing rate is used, being the rate that the group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment, with similar terms and conditions. Generally, the group uses its incremental borrowing rate as the discount rate. Subsequently, lease payments are allocated to the lease liability, split between repayments of principal and interest. A finance cost is charged to the profit and loss so as to produce a constant period rate of interest on the remaining balance of the lease liability.

A right-of-use asset is measured at cost, which comprises the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received (e.g. rent free period)
- any initial direct costs, and
- restoration costs.

A right-of-use asset is subsequently depreciated over the shorter of the lease term and the asset's useful life on a straight-line basis.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date that the fair value was determined.

Exchange differences are recognised in the profit or loss in the period in which they arise except for (a) exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings and (b) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For consolidation purposes, the assets and liabilities of any group entity with a functional currency other than the dollar are translated at the exchange rate at the balance sheet date. Income and expenses are translated at the average rate for the period unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in translation reserve (or attributed to non-controlling interests if appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in translation reserve in respect of that operation and attributable to the owners of the operation are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of an entity with a functional currency other than the dollar are treated as assets and liabilities of that entity and are translated at the closing rate of exchange.

Borrowing costs

Borrowing costs incurred in financing construction or installation of qualifying property, plant or equipment are added to the cost of the qualifying asset, until such time as the construction or installation is substantially complete and the asset is ready for its intended use. Borrowing costs incurred in financing the planting of extensions to the developed agricultural area are treated as expenditure relating to plantings until such extensions reach maturity. All other borrowing costs are recognised in the consolidated income statement of the period in which they are incurred.

Operating profit

Operating profit is stated after any gain or loss arising from changes in the fair value of agricultural produce inventory but before investment income, finance costs and impairments and similar charges that do not relate to operating activities.

Pensions and other post-employment benefits

United Kingdom

Certain existing and former UK employees of the group are members of a multi-employer contributory defined benefit scheme. The estimated regular cost of providing for benefits under this scheme is calculated so that it represents a substantially level percentage of current and future pensionable payroll and is charged as an expense as it is incurred.

Amounts payable to recover actuarial losses, which are assessed at each actuarial valuation, are payable over a recovery period agreed with the scheme trustees. Provision is made for the present value of future amounts payable by the group to cover its share of such losses. The provision is reassessed at each accounting date, with the difference on reassessment being charged or credited to the consolidated income statement in addition to the adjusted regular cost for the period.

Indonesia

In accordance with local labour law, the group's employees in Indonesia are entitled to lump sum payments on retirement. As required by IAS19: Employee benefits the cost of these unfunded obligations are based on periodic assessments by independent actuaries as this arrangement is categorised as a defined benefit plan. Actuarial gains and losses are recognised in the statement of comprehensive income; any other increase or decrease in the provision is recognised in the consolidated statement of income, net of amounts added to plantings within property, plant and equipment ("PPE").

Accounting policies (group)

continued

Taxation

The tax expense represents the sum of tax currently payable and deferred tax. Tax currently payable represents amounts expected to be paid (or recovered) based on the taxable profit for the period using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on specialist independent tax advice supported by previous experience in respect of such matters.

Deferred tax is calculated on the balance sheet liability method on a non-discounted basis on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding fiscal balances used in the computation of taxable profits (temporary differences). Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. A deferred tax asset or liability is not recognised in respect of a temporary difference that arises from goodwill or from the initial recognition of other assets or liabilities in a transaction which affects neither the profit for tax purposes nor the accounting profit.

Deferred tax is calculated using the tax rates and laws that are expected to apply in the periods when deferred tax liabilities are settled or deferred tax assets are realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income, or equity respectively.

Property, plant and equipment – plantings

On application of the amendments to IAS41: Agriculture and IAS 16: Property, plant and equipment, the directors elected to state the group's plantings at deemed cost being the fair value recognised as at 1 January 2015 less the fair value at that date of the growing produce which is disclosed in current assets under "Biological assets". Additions after that date (which include interest incurred during the period of immaturity) are recognised at historical cost.

All expenditure on plantings up to maturity, including interest, is treated as addition to plantings. Expenditure to maturity includes an allocation of overheads to the point that oil palms are brought into productive cropping. Such overheads include general charges and the costs of the Indonesian head office (including in both cases personnel costs and local fees) together with costs (including depreciation) arising from the use of agricultural buildings, plantation infrastructure and vehicles.

Depreciation is not provided on immature plantings. Once plantings reach maturity, depreciation is provided on a straight-line basis at a rate that will write off the costs of the plantings by the date on which they are scheduled to be replanted, with a maximum of 25 years.

Property, plant and equipment – other

All PPE other than plantings is carried at original cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is computed using the straight line method so as to write off the cost of assets, other than property and plant under construction, over the estimated useful lives of the assets as follows:

Buildings and structures	20 to 67 years
Plant, equipment and vehicles	5 to16 years
Construction in progress	not depreciated

The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds, less costs of disposal, and the carrying amount of the asset and is recognised in the consolidated income statement.

Land

Land comprises payments to acquire Indonesian licences over land for plantation purposes, together with related costs including permits, surveys and villager compensation. In view of the indefinite economic life associated with such licences, they are not depreciated.

Impairment of PPE and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its PPE and intangible assets to determine whether there is any indication that any asset has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset (or cash generating unit) is the higher of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the asset (or cash generating unit) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

Where, with respect to assets other than goodwill, an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years.

Inventories

Inventories of agricultural produce are stated at the lower of cost and net realisable value but the cost of the FFB input into such inventories is taken, where such FFB is harvested from the group's estates, to be the fair value of that FFB at point of harvest. Inventories of engineering and other items are valued at the lower of cost, on the weighted average method, or net realisable value.

For these purposes, net realisable value represents the estimated selling price (having regard to any outstanding contracts for forward sales of produce) less all estimated costs of processing and costs incurred in marketing, selling and distribution.

Biological assets

Biological assets comprise the growing produce (FFB) on oil palm trees and are carried at fair value using a formulaic methodology to determine the value of the oil content of FFB which develops in the fruitlets in the five to six weeks immediately prior to harvest.

The group values growing produce by attributing oil content to the FFB harvested in the weeks immediately following the accounting date and valuing that oil content by reference to the value of oil at the point of harvest on the accounting date. All the relevant inputs to this valuation methodology are observable:

- the quantity of oil in the fruitlets (the rate of oil formation is drawn from academic studies)
- the amount of FFB harvested
- the sales price of CPO and CPKO at the time of closing (from published market prices)
- the costs to harvest and process the FFB
- the sales charges (transport, export tax, etc.).

Periodic movements in the fair value of growing produce are reflected in the consolidated income statement.

Recognition and derecognition of financial instruments

Financial assets and liabilities are recognised in the group's financial statements when the group becomes a party to the contractual provisions of the relative constituent instruments. Financial assets are derecognised only when the contractual rights to the cash flows from the assets expire or if the group transfers substantially all the risks and rewards of ownership to another party. Financial liabilities are derecognised when the group's obligations are discharged, cancelled or have expired.

Financial assets

The group's financial assets comprise trade receivables and loans (including stone and coal interests) and cash and cash equivalents. The group's receivables and loans are initially recognised at fair value plus transaction costs and subsequently at amortised cost under the effective interest method. The group's sole objective for holding the assets is to collect payments of principal and interest.

At each reporting date the company reviews the carrying amount of each asset carried at amortised cost. The company accounts for expected credit losses and changes in those expected credit losses to reflect changes in credit risk since initial recognition of the financial asset.

The group has applied the simplified approach under IFRS 9: Financial Instruments and records lifetime expected losses on all trade receivables.

For loans the group measures expected credit losses applying the general (3 stages of expected credit loss assessment) expected credit losses model under IFRS 9.

Cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that have a maturity of not more than three months from the date of acquisition and are readily convertible to a known amount of cash and, being subject to an insignificant risk of changes in value, are stated at their nominal amounts.

Financial liabilities

The group's financial liabilities comprise redeemable instruments, bank borrowings, loans from non-controlling shareholder, trade payables and contract liabilities.

Redeemable instruments and bank borrowings

Redeemable instruments, being dollar and sterling note issues, and bank borrowings are classified in accordance with the substance of the relative contractual arrangements. Finance costs are charged to income on an accruals basis, using the effective interest method, and comprise, with respect to redeemable instruments, the coupon payable together with the amortisation of issuance costs (which include any premiums payable or expected by the directors to be payable on settlement or redemption) and, with respect to bank borrowings, the contractual rate of interest together with

Accounting policies (group)

continued

the amortisation of costs associated with the negotiation of, and compliance with, the contractual terms and conditions. Redeemable instruments are recorded in the accounts at their expected redemption value net of the relative unamortised balances of issuance costs and premiums. Bank borrowings are recorded at the amounts of the proceeds received less subsequent repayments with the relative unamortised balance of costs treated as non-current receivables and netted off the gross borrowing.

Trade payables

All trade payables owed by the group are non-interest bearing and are stated at amortised cost.

Equity instruments

Instruments are classified as equity instruments if the substance of the relative contractual arrangements evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the company or by subsidiary companies to non-controlling interests are recorded at the proceeds received, net of direct issue costs not charged to income.

The preference shares of the company are regarded as equity instruments because the terms of the preference shares contain no provisions for their redemption and provide that the fixed semi-annual dividend on the preference shares becomes payable only if it is resolved to make a distribution in respect of the preference shares.

Notes to the consolidated financial statements

1. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are set out in "Accounting polices (group)" above, the directors are required to make judgements, estimates and assumptions. Such judgements, estimates and assumptions are based upon historical experience and other factors that are considered to be relevant. Actual values of assets and amounts of liabilities may differ from estimates. The judgements, estimates and assumptions are reviewed on a regular basis. Revisions to estimates are recognised in the period in which the estimates are revised.

Critical judgements in applying the group's accounting policies

The following are critical judgements not being judgements involving estimations (which are dealt with below) that the directors have made in the process of applying the group's accounting policies.

Land rights

The Indonesian system of land tenure for agricultural purposes ("Hak Guna Usaha" or "HGU") gives the licensee rights to occupy for periods of up to 35 years, followed by an extension and then further renewals of between 25 and 35 years. The directors have concluded that acquiring an HGU represents the in-substance purchase of an item of PPE. To reach this conclusion the directors have made the judgements that the initial payment to acquire an HGU is consistent with a payment to purchase the land and valid renewal requests are always granted by the Indonesian administration (at least until a significant change in law or government policy occurs). The alternative would be to treat as the lease of land rights and so depreciate the cost over the period of the HGU.

Control of stone and coal concessions

Interest bearing loans have been made to Indonesian companies which own the rights to stone and coal concessions in East Kalimantan Indonesia. In 2008 the company's subsidiary, KCC Resources Limited ("KCC"), entered into an option to acquire the shares of the concession companies at original cost but subsequent regulations, which limit foreign ownership of stone and coal concession companies, have meant that such rights cannot be exercised. Subsequently, the directors have concluded that their focus is on recovery of the amounts invested and not on obtaining an equity interest and the option arrangements are regarded as void. The directors have concluded that they do not have the power to direct the operations of the stone and coal concessions and do not have the rights to variable returns from their loans to the stone and coal concessions. Such a judgement would result in the derecognition of the loans to stone and coal interests of $55.1 million and the consolidation of the assets and liabilities as at 31 December 2021 and inclusion of the result for the year in the consolidated income statement.

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Stone and coal interests

Loans to stone and coal concessions are carried in the consolidated balance sheet at $55.1 million. At each reporting date the investments are tested for impairment using an expected credit loss model. Due to the creditworthiness of the stone and coal concessions a lifetime expected credit loss model is applied and the directors perform a look through to the value of the underlying stone and coal rights. The stone concession valuation is most sensitive to the price at which the stone will be sold and, to a lesser extent, monthly production and the discount rate. The valuation model applied uses a stone price of $17.40 per tonne (2020: $17.70 per tonne), monthly production of 100,000 tonnes (2020: 100,000 tonnes), and a post-tax discount rate of 6.5 per cent (2020: 7.6 per cent). The stone price would have to fall to $14.20 per tonne, or the monthly production fall to 75,000 tonnes and the discount rate increase to 9.4 per cent (2020: stone price fall to $14.70 per tonne, or the monthly production fall to 75,000 tonnes and the discount rate increase to 11.5 per cent), before there is any objective evidence of impairment.

Notes to the consolidated financial statements

continued

1. Critical accounting judgements and key sources of estimation uncertainty – continued

Plantation assets

Plantation assets (including PPE, land, intangible assets and goodwill) are carried at $422.4 million (2020: $429.9 million) in the consolidated balance sheet. At 31 December 2021 each plantation has been identified as a cash generating unit and tested for impairment by calculating the value in use over 25 years (25 years being the normal cycle of an oil palm planting) and deriving a net present value. The key assumptions in the model used are the CPO selling prices assumed and the discount rate applied. The base model assumed average selling prices based on World Bank forecasts for the next 10 years extrapolated for 25 years (by using the rate of growth assumed by the World Bank forecasts between years 6 and 10) and adjusted to FOB Samarinda commencing with a price of $1,200 per tonne in 2022 (2020: commencing with a price of $570 per tonne in 2021). Viewing the group's plantation assets as a whole if there was an expectation that the price would be at $613 per tonne (2020: $552 per tonne) over the next 25 years (a possibility that is considered remote) then an impairment of $6.3 million (2020: $5.9 million) would be required being the difference between the carrying value of the assets and the value in use. The average price in 2021 was $777 per tonne (2020: $566 per tonne). The average price from 1 January 2022 to 31 March 2022 was $1,006 (2021: $662). The discount rate applied was 8.3 per cent (2020: 9.5 per cent) (on a pre-tax basis).

Whilst any restriction on harvesting, processing and evacuation of palm products as a result of Covid could have a negative impact on the group's cash flow, in the opinion of the directors it would be unlikely to require impairment of the plantations because plantation assets are generally valued by reference to their long term potential not short term factors and any such restriction would be unlikely to damage the productive capacity of the estates.

2. Revenue and cost of sales

	2021 $'000	2020 $'000
Revenue:		
Sales of goods	190,565	137,993
Revenue from management services	1,348	1,095
	191,913	139,088
Cost of sales:		
Depreciation and amortisation	(27,724)	(27,969)
Other costs	(104,696)	(82,215)
	(132,420)	(110,184)

In 2021, three customers accounted for respectively 60 per cent, 27 per cent and 9 per cent of the group's sales of agricultural goods (2020: three customers, 59 per cent, 18 per cent and 16 per cent). As stated under "Credit risk" in note 23, substantially all sales revenue is receivable in advance of product delivery and accordingly the directors do not consider that these sales result in a concentration of credit risk to the group.

The crop of oil palm FFB for 2021 amounted to 738,024 tonnes (2020: 765,821 tonnes). The fair value of the crop of FFB was $117.7 million (2020: $87.0 million), based on the price formulae determined by the Indonesian government for purchases of FFB from smallholders.

3. Segment information

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

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

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

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

4. Agricultural produce inventory movement

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

5. Profit / (loss) before tax

	2021 $'000	2020 $'000
Salient items charged / (credited) in arriving at profit / (loss) before tax		
Administrative expenses (see below)	13,434	16,486
Movement in inventories (at historic cost)	(1,771)	233
Movement in fair value of growing produce	(1,201)	(189)
Amortisation of intangible assets	752	1,045
Depreciation of property, plant and equipment*	26,972	26,924
Impairments and similar charges (note 8)	–	9,483

* Of which $2.4 million is depreciation of right of use assets (see note 29)

Administrative expenses

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

Notes to the consolidated financial statements

continued

5. Profit / (loss) before tax – continued

Amounts payable to the company's auditor

This is the second year of MHA MacIntyre Hudson's ("MHA"s) appointment. The amount payable to MHA for the audit of the financial statements of the company and its subsidiaries was $204,000 (2020: $198,000).

Amounts payable to MHA for other services in 2021 are $7,000 (2020: $7,000) in respect of the report to the trustee regarding group compliance with covenants pursuant to the terms of the trust deed in respect of the dollar notes.

Amounts payable to affiliates of MHA for the audit of subsidiaries' financial statements was $119,000 (2020: $111,000) and for agreed upon procedures in respect of financial statements prepared in local currency for the bank was $7,000 (2020: $21,000).

	2021 $'000	2020 $'000
Earnings before interest, tax, depreciation and amortisation		
Operating profit	48,083	8,806
Depreciation and amortisation	27,724	27,969
	75,807	36,775

6. Staff costs, including directors

	2021 Number	2020 Number
Average number of employees (including executive directors):		
Agricultural – permanent	8,075	7,855
Head office	6	6
	8,081	7,861

	$'000	$'000
The aggregate payroll costs comprised:		
Wages and salaries	39,293	36,698
Social security costs	2,148	1,973
Pension costs	2,395	2,838
	43,836	41,509

Pension costs for 2021 are shown before a one off credit (see note 35).

Details of the remuneration of directors are shown in the "Directors' remuneration report".

7. Investment revenues

	2021 $'000	2020 $'000
Interest on bank deposits	402	117
Other interest income	1,081	408
	1,483	525

Other interest income is gross interest receivable of $2.6 million from the group's stone and coal interests (see note 17) net of a provision of $1.5 million (2020: gross interest of £2.7 million net of a provision of $2.4 million).

8. Impairments and similar charges

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

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

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

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

9. Finance costs

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

Other finance charges include a charge of $1.4 million relating to abortive advisory costs incurred in respect of the reorganisation of the group's Indonesian bank borrowings and in 2020 $1.1 million being the net present value of the premium payable on redemption of the sterling notes discounted at the coupon rate (see note 25).

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

10. Tax

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

* Restated – see note 37

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

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2021 $'000	2020 $'000
Profit / (loss) before tax	29,198	(23,250)
Notional tax at the Indonesian standard rate of 22 per cent (2020: 22 per cent)	6,424	(5,115)
Tax effect of the following items:		
Interest expense not deductible	944	4,964
Other expenses not deductible	665	299
Exchange difference on deferred tax	2,724	(1,769)
Effect of change of tax rate on deferred tax	3,482	(9,012)
Prior year adjustments	2,525	1,183
Deferred tax adjustment relating to Indonesian asset valuations	1,151	1,132
Non taxable income	(328)	(11)
UK tax rates below Indonesian standard rate	(17)	110
Overseas withholding taxes, net of relief	739	968
Tax losses not recognised for deferred tax purposes	940	10
Change in rate of tax applicable to UK losses	–	343
Other movements	688	(334)
Tax expense / (credit) at effective tax rate for the year	19,937	(7,232)

The deferred tax charge of $10.9 million primarily relates to: $4.1 million in respect of tax losses utilised in the year (2020: $4.2 million), $2.7 million of foreign exchange losses on retranslation (2020: gain of $1.8 million) and a $3.5 million charge from the effect of tax rate changes (2020: charge of $9.0 million). As reported in the 2020 annual report, corporation tax rates in Indonesia were scheduled to reduce from a previous level of 25 per cent, through 22 per cent in 2021 and to 20 per cent from 2022 onwards. Deferred tax assets and liabilities were calculated on this basis at 31 December 2020 resulting in a significant deferred tax credit in 2020. The Indonesian government has now decided that the previously announced reduction to 20 per cent will not go ahead and, therefore, the deferred tax liabilities have again been recomputed to 22 per cent.

In the reconciliation it has been decided to use the Indonesian standard rate of tax as that is the most relevant, as such the 2020 numbers have been updated to incorporate this.

10. Tax – continued

The company's principal subsidiary in Indonesia has been involved for a number of years in several tax disputes with the tax authorities. The two most material cases, originating from 2006 and 2008, relate to the recovery of interest due on tax already repaid to the subsidiary and not to the uncertainty of underlying tax liabilities, judgements in favour of the subsidiary having already been received.

In the 2006 case, the tax authorities have appealed to the Supreme Court against the original tax court findings in favour of the subsidiary relating to tax repayments totalling rupiah 6 billion ($0.4 million) plus an interest settlement of rupiah 3 billion ($0.2 million). The possibility of those findings being overturned as a result of the appeal made by the tax authorities is considered extremely unlikely because the subsidiary believes that in the 2006 case the tax authorities have not followed correct procedure in the submission of their appeal and has submitted a counter submission to the Supreme Court.

In the 2008 case the subsidiary has appealed to the Supreme Court against the original tax court findings in favour of the tax office. The subsidiary continues to believe that it has strong technical grounds for the appeal and will win the case.

Furthermore, both cases relate to matters that are now more than ten years old and as a result are considered extremely unlikely to ever be heard by the Supreme Court.

Therefore, although the company's principal subsidiary and its advisors consider there are strong technical and legal grounds for the recovery of both outstanding amounts, the receivable previously recognised in respect of the recovery of the interest considered due in respect of the 2006 case, amounting to rupiah 8.7 billion (approximately $0.6 million) has been written off in full during the year. The amount considered receivable in respect of the 2008 case amounting to rupiah 37 billion (approximately $3.0 million) was written off in full in previous years.

The subsidiary has also written off provisions in respect of amounts considered receivable in two other smaller cases originating in 2009 and 2011 as it is also considered unlikely that these cases will ever be heard in the Supreme Court.

There are other less significant items under dispute with the tax authorities.

11. Dividends

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

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

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

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

Notes to the consolidated financial statements

continued

12. Loss per share

	2021 $'000	2020* $'000
Profit / (loss) attributable to equity shareholders	7,326	(13,604)
Preference dividends paid relating to current year	(8,826)	–
Loss for the purpose of calculating loss per share	(1,500)	(13,604)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	43,951	43,951

* The loss in 2020 has been restated (see note 37) and as such has increased the loss per share by 1 US cent

13. Goodwill

	2021 $'000	2020 $'000
Beginning and end of year	12,578	12,578

The goodwill of $12.6 million arose from the acquisition by the company in 2006 of a non-controlling interest in the issued ordinary share capital of Makassar Investments Limited, the parent company of REA Kaltim, for a consideration of $19.0 million and has an indefinite life. The goodwill is reviewed for impairment as explained under "Goodwill" in "Accounting policies (group)".

The group's testing for impairment of goodwill includes the comparison of the recoverable amount of each cash generating unit to which goodwill has been allocated (the plantations, which are treated for this purpose as a single cash generating unit) with their carrying value and this is updated at each reporting date and whenever there are indications of impairment. The recoverable amounts of all plantations are based on their value in use. Value in use is the present value of expected future cash flows from the plantations over a 25 year plantation cycle (25 years being the normal cycle of an oil palm planting). The key assumptions and sensitivities are set out in note 1.

Based upon their review, the directors have concluded that no impairment of goodwill is required.

14. Intangible assets – development expenditure

	2021 $'000	2020 $'000
Beginning of year	5,438	5,430
Additions	15	8
End of year	5,453	5,438
Amortisation:		
Beginning of year	4,340	3,295
Charge for year	752	1,045
End of year	5,092	4,340
Carrying amount:		
End of year	361	1,098
Beginning of year	1,098	2,135

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

15. Property, plant and equipment

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

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

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

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

16. Land

	2021 $'000	2020 $'000
Cost:		
Beginning of year	44,201	42,920
Additions	3,754	3,897
Reclassifications and adjustments	7	1
Impairment (see note 8)	–	(2,617)
End of year	47,962	44,201
Accumulated amortisation:		
Beginning and end of year	4,322	4,322
Carrying amount:		
End of year	43,640	39,879
Beginning of year	39,879	38,598

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

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

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

As disclosed in note 8 $2.6 million of cost relating to izin lokasi were written off in 2020.

At the balance sheet date, land titles of $18.9 million (2020: $18.5 million) had been charged as security for bank loans (see note 24).

17. Financial assets: stone and coal interests

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

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

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

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

18. Subsidiaries

A list of the subsidiaries, including the name, country of incorporation, activity, registered office address and proportion of ownership is given in note (iv) to the company's individual financial statements.

19. Inventories

	2021 $'000	2020 $'000
Agricultural produce	9,051	9,363
Engineering and other operating inventory	8,781	6,706
	17,832	16,069

Agricultural produce is carried at the lower of cost and net realisable value but for this purpose the cost of FFB (which form part of the input to the cost of agricultural produce) has been measured at fair value at point of harvest.

Notes to the consolidated financial statements

continued

20. Biological assets

Biological assets comprise the growing produce on the group's oil palms and are carried at fair value. The basis of valuation is set out under "Biological assets" in "Accounting policies (group)". Biological assets are classified as level 2 in the fair value hierarchy prescribed by IFRS 13: Fair value measurement as there are observable data inputs to enable the valuation of growing produce prior to harvest. In previous years biological assets were classified as level 3 in the fair value hierarchy but the FRC's review of the 2020 financial statements and comments in respect of the biological assets disclosures triggered a detailed review of the valuation methodology which it was then realised was actually based on observable data inputs as explained in the Biological assets accounting policy. Accordingly, the change of classification from level 3 to level 2 has been adopted for accounting periods after 31 December 2020.

The reconciliation below does not include decreases due to harvest as required by IAS 41 as all growing produce having a value at the end of each accounting period will have been harvested by the end of the immediately succeeding accounting period.

	2021 $'000	2020 $'000
Beginning of year	2,953	2,764
Fair value gain taken to income	1,201	189
End of year	4,154	2,953

At the balance sheet date, biological assets of $4.2 million (2020: $3.0 million) had been charged as security for bank loans (see note 24).

21. Trade and other receivables

	2021 $'000	2020* $'000
Due from sale of goods	1,455	3,333
Prepayments and advance payments	1,966	5,283
Other tax and social security	7,873	5,784
Plasma advances	21,710	21,353
Other receivables	1,280	4,137
	34,284	39,890

* The 2020 balance has been updated as the current tax asset is now separately disclosed on the balance sheet

In respect of CPO and CPKO which represent most of the groups' sales, payment of 90 per cent of the cargo is received in advance of loading to the buyer's vessel (FOB) or discharge to the buyer's shore tank (CIF). Due from sale of goods represents the balance receivable on sales of CPO and CPKO (which is due within five days) plus receivables relating to other products.

Amounts due from sale of goods had an average credit period of five days (2020: 11 days). The directors consider that the carrying amount of trade and other receivables approximates their fair value

Plasma advances are discussed under "Credit risk" in note 23.

22. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the group and short-term bank deposits. The Moody's prime rating of short term bank deposits amounting to $46.9 million (2020: $11.8 million) is set out in note 23 under the heading "Credit risk". At 31 December 2021 $8.4 million (2020: $4.4 million) of total bank deposits were subject to charges.

23. Financial instruments

Capital risk management

The group manages as capital its debt, which includes the borrowings disclosed in notes 24 to 26 and note 28, cash and cash equivalents and equity attributable to shareholders of the company, comprising issued ordinary and preference share capital, reserves and retained earnings as disclosed in note 31 and the consolidated statement of changes in equity. The group is not subject to externally imposed capital requirements.

The directors' policy in regard to the capital structure of the group is to seek to enhance returns to holders of the company's ordinary shares by meeting a proportion of the group's funding needs with prior ranking capital and to constitute that capital as a mix of preference share capital and borrowings from financial institutions and the public debt market, in proportions which suit, and as respects borrowings that have a maturity profile which suits, the assets that such capital is financing. In so doing, the directors regard the company's preference share capital as permanent capital and then seek to structure the group's borrowings so that shorter term bank debt is used only to finance working capital requirements while debt funding for the group's development programme is sourced from issues of listed debt securities and medium term borrowings from financial institutions.

Whilst the group retains this policy, the directors recognise that the group's current borrowings are not compliant with the policy. The group will aim to overcome this by reducing borrowings to the extent that cash generation permits.

Net debt to equity ratio

Net debt, equity and the net debt to equity ratio at the balance sheet date were as follows:

	2021 $'000	2020 $'000
Debt*	222,560	201,156
Cash and cash equivalents	(46,892)	(11,805)
Net debt	175,668	189,351

* Being the book value of long and short term borrowings as detailed in the table below under "Fair value of financial instruments"

	2021 $'000	2020 $'000
Equity (including non-controlling interests)	246,394	245,816
Net debt to equity ratio	71.3%	77.0%

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in the "Accounting policies (group)" section of this annual report.

Categories of financial instruments

Financial assets as at 31 December 2021 comprised receivables and loans (including stone and coal interests) held at amortised cost and cash and cash equivalents amounting to $131.8 million (2020: $108.8 million).

Financial liabilities as at 31 December 2021 comprised liabilities at amortised cost amounting to $265.2 million (2020: $268.9 million).

As explained in note 17, conditional arrangements exist for the group to acquire at historic cost the shares in the Indonesian companies owning rights over certain stone and coal concessions. The directors have attributed a fair value of zero to these interests in view of the prior claims of loans to the concession owning companies and the present stage of the operations.

23. Financial instruments – continued

Financial risk management objectives

The group manages the financial risks relating to its operations through internal reports which permit the degree and magnitude of such risks to be assessed. These risks include market risk, credit risk and liquidity risk.

The board sets policies on foreign exchange risk, interest rate risk, credit risk, the use of financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The financial market risks to which the group is primarily exposed are those arising from changes in interest rates and foreign currency exchange rates.

The group's policy as regards interest rates is to borrow whenever economically practicable at fixed interest rates, but where borrowings are raised at floating rates the directors would not normally seek to hedge such exposure. The sterling notes and the dollar notes carry interest at fixed rates of, respectively, 8.75 and 7.5 per cent per annum. In addition, the company's preference shares carry a cumulative entitlement to a fixed annual dividend of 9 pence per share subject to the same being declared by the directors.

At 31 December 2021, interest is payable on drawings under Indonesian rupiah term loan facilities at a fixed rate of 8.75 per cent (2020: fixed rates of 10.5, 11.25 or 11.5 per cent) and under a short term working capital facility at 3.0 per cent (2020: 10.5 per cent on an annually renewable working capital facility).

A one per cent increase in interest applied to those financial instruments shown in the table below entitled "Fair value of financial instruments" as held at 31 December 2021 which carry interest at floating rates would have resulted over a period of one year in a pre-tax profit (and equity) increase or decrease of $0.4 million (2020: pre-tax profit (and equity) decrease of $nil).

The group regards the dollar as the functional currency of most of its operations. The directors believe that the group will be best served going forward by simply maintaining a balance between its borrowings in different currencies and avoiding currency hedging transactions. Accordingly, the group regards some exposure to currency risk on its non dollar borrowing as an inherent and unavoidable risk of its business. The group has never covered, and does not intend in future to cover, the currency exposure in respect of the component of the investment in its operations that is financed with sterling denominated shareholder capital.

The group's policy is to maintain a cash balance in sterling sufficient to meet its projected sterling expenditure for a period of between six and twelve months and a cash balance in rupiah sufficient to cover its forthcoming rupiah debt service obligations and short term rupiah denominated operating expenditure.

At the balance sheet date, the group had non dollar monetary items denominated in sterling and rupiah. A 5 per cent strengthening of the sterling against the dollar would have resulted in a loss dealt with in the consolidated income statement and equity of $2.2 million on the net sterling denominated non-derivative monetary items (2020: loss $2.2 million). A 5 per cent strengthening of the rupiah against the dollar would have resulted in a loss dealt with in the consolidated income statement and equity of $6.2 million on the net Indonesian rupiah denominated, non-derivative monetary items (2020: loss of $7.6 million).

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a loss. Management has established a credit policy and the exposure to credit risk is monitored on a continuous basis.

The group has credit risk in respect of loans to stone and coal interests, its customers and also deposits and other receivables (principally advances to plasma cooperatives).

The credit risk in relation to the stone and coal interests is addressed by applying the lifetime expected credit loss model and the directors perform a look through to the value of the underlying stone and coal rights as set out in note 1.

The credit risk in relation to customers is limited as 90 per cent of the value of all Indonesian CPO and CPKO sales is receivable in advance of loading to the buyer's vessel (FOB sales) or discharge to the customer's shore tank (CIF sales). Moreover, sales are to a small number of well-known buyers: about 96 per cent of sales of goods are to 3 customers (2020: 93 per cent).

23. Financial instruments – continued

35 per cent of sales in 2021 were Indonesian FOB sales (2020: 25 per cent).

65 per cent of sales in 2021 were Indonesian CIF sales (2020: 59 per cent).

In 2020 16 per cent of sales were Export CIF sales paid via letters of credit where there is virtually no credit risk.

Plasma advances comprise the cost of developing plasma plantations less recoveries (loan repayments) arising from surplus cashflows generated by the plasma plantations. These plasma plantations are managed by the company thereby ensuring that high agronomy standards are maintained and maximum yields and profitability attained. With CPO & CPKO prices now forecast to remain at remunerative levels in the years ahead plasma plantations are expected to be profitable and generate sufficient cashflows to fully repay the advances made.

The group reviews the recoverable amount of each debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit agencies. At 31 December 2021, 1 per cent of bank deposits were held with banks with a Moody's prime rating of P1 (2020: 18 per cent) and 99 per cent with a bank with a Moody's prime rating of P2 (2020: 82 per cent).

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors of the company, which has established an appropriate framework for the management of the group's short, medium and long term funding and liquidity requirements.

Within this framework, the board continuously monitors forecast and actual cash flows and endeavours to maintain adequate liquidity in the form of cash reserves and borrowing facilities to meet the projected obligations of the group. There were $3.2 million (2020: nil) undrawn facilities available to the group at the balance sheet date as disclosed in note 24.

The board reviews the cash forecasting models for the operation of the plantations and compares these with the forecast outflows for debt obligations and projected capital expenditure programmes for the plantations, applying sensitivities to take into account perceived major uncertainties. In their review, the directors place the greatest emphasis on the cash flow of the first two years.

Financial instruments

The following tables detail the contractual maturity of the group's financial liabilities at 31 December 2021. The tables have been drawn up based on the undiscounted amounts of the group's financial liabilities based on the earliest dates on which the group can be required to discharge those liabilities. The table includes liabilities for both principal and interest.

2021	Weighted average interest rate %	Under 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Bank loans	8.5	55,511	24,684	60,012	51,801	192,008
Dollar notes – repayable 2022	7.5	28,049	–	–	–	28,049
Sterling notes – repayable 2025	8.4	3,536	3,556	48,837	–	55,929
Non-controlling shareholder loans – dollar	3.9	2,446	2,353	13,185	–	17,984
Trade and other payables, and contract liabilities	–	48,633	–	–	–	48,633
		138,175	30,593	122,034	51,801	342,603

Notes to the consolidated financial statements

continued

23. Financial instruments – continued

2020	Weighted average interest rate %	Under 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Bank loans	10.8	61,073	14,551	49,998	–	125,622
Dollar notes – repayable 2022	7.5	2,028	28,049	-	–	30,077
Sterling notes – repayable 2025	8.4	3,703	3,708	54,879	–	62,290
Non-controlling shareholder loans – dollar	3.8	644	2,603	16,273	–	19,520
Loan from related party – sterling	13.0	3,024	–	–	–	3,024
Loan from related party – dollar	5.1	1,439	–	–	–	1,439
Trade and other payables, and contract liabilities	–	59,815	20,712	–	–	80,527
		131,726	69,623	121,150	–	322,499

At 31 December 2021, the group's financial assets (other than receivables) comprised cash and deposits of $46.9 million (2020: $11.8 million) carrying a weighted average interest rate of 1.5 per cent (2020: nil per cent) all having a maturity of under one year, and stone and coal interests of $55.1 million (2020: $57.5 million) details of which are given in note 17.

Fair value 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, 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 of financial instruments between levels in the fair value hierarchy were made during 2021 (2020: none).

	2021 Book value $'000	2021 Fair value $'000	2020 Book value $'000	2020 Fair value $'000
Cash and deposits*	46,892	46,892	11,805	11,805
Bank debt within one year**	(16,955)	(16,955)	(54,148)	(54,148)
Bank debt after more than one year**	(119,871)	(119,871)	(56,062)	(56,062)
Loans from non-controlling shareholder within one year*	(5,575)	(5,575)	–	–
Loans from non-controlling shareholder after more than one year**	–	–	(6,025)	(6,025)
Loans from non-controlling shareholder after more than one year*	(10,641)	(10,641)	(11,091)	(11,091)
Loan from related party within one year – sterling**	–	–	(2,661)	(2,661)
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 after one year– repayable 2022**	–	–	(26,891)	(25,683)
Sterling notes after one year – repayable 2025**	(42,533)	(41,647)	(42,908)	(37,896)
Net debt	(175,668)	(174,427)	(189,351)	(183,131)

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

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

23. Financial instruments – continued

Changes in liabilities arising from financing activities and analysis of movement in borrowings

The table below details changes in the group's liabilities arising from financing activities, including both cash and non cash changes. Liabilities from financing activities are those for which cash flows were, or future cash flows will, be classified in the group's consolidated cash flow statement as cash flows from financing activities.

	At 1 January 2021 $'000	Financing cash flows $'000	Non-cash other changes $'000	At 31 December 2021 $'000
Bank debt	(110,210)	(27,045)	429	(136,826)
Loan from non-controlling shareholder	(17,116)	900	–	(16,216)
Dollar notes – repayable 2022	(26,891)	–	(94)	(26,985)
Sterling notes – repayable 2025	(42,908)	–	375	(42,533)
Loan from related party – sterling	(2,661)	2,698	(37)	–
Loan from related party – dollar	(1,370)	1,370	–	–
Lease liabilities	(3,472)	2,617	(5,375)	(6,230)
Total liabilities from financing activities	(204,628)	(19,460)	(4,702)	(228,790)

The maximum liability in relation to loans from a related party during the year was $4.1 million.

	At 1 January 2020 $'000	Financing cash flows $'000	Non-cash other changes $'000	At 31 December 2020 $'000
Bank debt	(126,925)	13,484	3,231	(110,210)
Loan from non-controlling shareholder	(24,630)	7,514	–	(17,116)
Dollar notes – repayable 2022	(26,804)	–	(87)	(26,891)
Sterling notes – repayable 2025	(38,996)	–	(3,912)	(42,908)
Loan from related party – sterling	–	(2,503)	(158)	(2,661)
Loan from related party – dollar	–	(1,370)	–	(1,370)
Lease liabilities	(4,163)	2,434	(1,743)	(3,472)
Total liabilities from financing activities	(221,518)	19,559	(2,669)	(204,628)

The maximum liability in relation to loans from related parties during 2020 was $6.1 million.

24. Bank loans

	2021 $'000	2020 $'000
Bank loans	136,826	110,210

	2021 $'000	2020 $'000
The bank loans are repayable as follows:		
On demand or within one year	16,955	54,148
Between one and two years	14,393	9,823
Between two and five years	51,999	46,239
After five years	53,479	–
	136,826	110,210
Amount due for settlement within 12 months	16,955	54,148
Amount due for settlement after 12 months	119,871	56,062
	136,826	110,210

All bank loans are denominated in rupiah and are net of unamortised expenses of $6.8 million (2020: $0.9 million) and are at fixed rates (2020: fixed rates). The weighted average interest rate in 2021 was 8.5 per cent (2020: 10.8 per cent). Bank loans of $136.8 million (2020: $110.2 million) are secured on certain land titles, property, plant and equipment, biological assets and cash assets held by REA Kaltim, KMS and SYB having an aggregate book value of $163.8 million (2020: $167.1 million), 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.

The 2020 figure for amounts due within one year includes $30.5 million in respect of loans that would not have been treated as current liabilities had the waivers granted in respect of certain covenant breaches been received before instead of after the year end.

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 $3.2 million (2020: $nil).

25. Sterling notes

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

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

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

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

26. Dollar notes

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

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

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

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

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

27. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the group and the movements thereon during the year and preceding year:

Deferred tax assets / (liabilities)	Plantings $'000	Other property, plant and equipment $'000	Income/ expenses* $'000	Agricultural produce and other inventory $'000	Tax losses $'000	Total $'000
At 1 January 2020	(46,111)	(5,830)	760	118	11,764	(39,299)
Prior year adjustment	1,583	(2,808)	41	–	1	(1,183)
Credit / (charge) to income for the year	(1,286)	2,245	2,108	31	(4,153)	(1,055)
Credit to comprehensive income for the year**	–	–	197	–	–	197
Effect of tax rate changes to income for the year	7,918	2,553	(167)	115	(1,407)	9,012
Effect of tax rate changes to comprehensive income for the year **	–	–	(92)	–	–	(92)
Exchange differences***	(1,799)	3,568	–	–	–	1,769
Transfers	4,940	(4,127)	(150)	(691)	29	1
At 31 December 2020	(34,755)	(4,399)	2,697	(427)	6,234	(30,650)
Prior year adjustment	936	(753)	242	–	–	425
Prior year adjustment to translation reserve	–	–	497	–	–	497
Credit / (charge) to income for the year	(654)	1,378	(1,594)	(206)	(4,065)	(5,141)
Credit to comprehensive income for the year**	–	–	(168)	–	–	(168)
Effect of tax rate changes to income for the year	(3,382)	(515)	326	(43)	132	(3,482)
Effect of tax rate changes to comprehensive income for the year **	–	–	14	–	–	14
Exchange differences***	(784)	(1,905)	(40)	5	–	(2,724)
At 31 December 2021	(38,639)	(6,194)	1,974	(671)	2,301	(41,229)
Deferred tax assets	–	–	1,974	–	2,301	4,275
Deferred tax liabilities	(38,639)	(6,194)	–	(671)	–	(45,504)
At 31 December 2021	(38,639)	(6,194)	1,974	(671)	2,301	(41,229)
Deferred tax assets	–	–	2,697	–	6,234	8,931
Deferred tax liabilities	(34,755)	(4,399)	–	(427)	–	(39,581)
At 31 December 2020	(34,755)	(4,399)	2,697	(427)	6,234	(30,650)

* Includes income, gains or expenses recognised for reporting purposes, but not yet charged to or allowed for tax
** Relating to actuarial losses
*** Included in the consolidated income statement

At the balance sheet date, the group had unused tax losses of $10.5 million (2020: $31.4 million) available to be applied against future profits. A deferred tax asset of $2.3 million (2020: $6.2 million) has been recognised in respect of these losses, which are expected to be used in the future based on the group's detailed cashflow and profitability projections. A tax loss of $0.7 million incurred in 2020 (2021: $nil) by the company's subsidiary, PT KCC Resources Indonesia ("KCCRI"), was not recognised and at the balance sheet date; tax losses aggregating $4.6 million (2020: $5.3 million) incurred by the same subsidiary had not been recognised; these tax losses expire after five years. Capital tax losses totalling $8.5 million in the company and REAS are not recognised in deferred tax as they are not expected to be used.

Indonesian corporation tax rates had been announced to decrease from 25 per cent in 2020, to 22 per cent in 2021 and then to 20 per cent from 2022 onwards. The 20 per cent rate was used to calculate the value of deferred tax liabilities in 2020 (as those liabilities were not expected to crystallise in the near future) resulting in a deferred tax credit of $9.0 million. During 2021, it was announced that the decrease to 20 per cent would not go ahead and corporation tax rates would remain at 22 per cent. This change in rate has been factored into the calculations in 2021 resulting in a $3.5 million charge due to rate changes.

27. Deferred tax – continued

At the balance sheet date, the aggregate amount of net temporary differences (gross differences after 10 per cent withholding tax) associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was $5.1 million (2020: $3.9 million). No liability has been recognised in respect of these differences because the group is in a position to control the reversal of the temporary differences and it is probable that such differences will not reverse significantly in the foreseeable future.

The temporary difference of $38.6 million (2020: $34.8 million) in respect of plantings arises from their recognition prior to 2015 at fair value in the group accounts, compared with their historic base cost in the local accounts of overseas subsidiaries.

From 2015 onwards this temporary difference reverses as the plantings are depreciated over their remaining useful life.

Following a review of the 2020 numbers, the movements and classification of some of the balances have been restated. See note 37 for further details.

28. Other loans and payables

	2021 $'000	2020 $'000
Indonesian retirement benefit obligations	8,849	11,392
Lease liabilities (see note 29)	6,230	3,472
Loans from non-controlling shareholder	16,216	17,116
Loan from related party	–	4,031
	31,295	36,011
Repayable as follows:		
On demand or within one year (shown under current liabilities)	7,293	7,321
Between one and two years	13,361	11,574
Between two and five years	10,641	17,116
After five years	–	–
Amount due for settlement after 12 months	24,002	28,690
	31,295	36,011
Liabilities by currency:		
Sterling	–	2,814
Dollar	16,216	18,486
Rupiah	15,079	14,711
	31,295	36,011

Further details of the retirement benefit obligations are set out in note 35. The directors estimate that the fair value of other loans and payables approximates their carrying value.

Notes to the consolidated financial statements
continued

29. Leases

The group leases boats for the transportation of palm oil and also leases office properties in London and Balikpapan.

The office leases have been capitalised as assets in buildings and structures and the boats in plant, equipment and vehicles within property, plant and equipment in fixed assets (see note 15).

Right of use assets in property, plant and equipment	Buildings and structures	Plant, equipment and vehicles	Total
Cost:	$'000	$'000	$'000
At 1 January 2020	642	5,306	5,948
Additions	-	1,833	1,833
Disposals	-	(2,285)	(2,285)
At 31 December 2020	642	4,854	5,496
Additions	88	5,125	5,213
Disposals	(116)	(954)	(1,070)
At 31 December 2021	614	9,025	9,639
Accumulated depreciation:			
At 1 January 2020	232	1,827	2,059
Charge for year	232	2,219	2,451
Disposals	-	(2,285)	(2,285)
At 31 December 2020	464	1,761	2,225
Charge for year	184	2,168	2,352
Disposals	(116)	(954)	(1,070)
At 31 December 2021	532	2,975	3,507
Carrying amount:			
At 31 December 2021	82	6,050	6,132
At 31 December 2020	178	3,093	3,271

Lease liabilities (see note 28)	2021 $'000	2020 $'000
Within one year	1,045	2,440
Between one and two years	5,185	1,032
Between two and five years	-	–
After five years	-	–
	6,230	3,472

Other disclosures in these financial statements	2021 $'000	2020 $'000
Interest on lease liabilities (see note 9)	214	301
Principal payments on lease liabilities disclosed in the cash flow statement	2,617	2,434

Short term leases

A number of the boat leases qualify for the short term lease exemption but for consistency all boat leases are treated in the same way.

30. Trade and other payables

	2021 $'000	2020* $'000
Trade payables	15,888	14,716
Contract liabilities	25,616	41,828
Other tax and social security	389	1,932
Accruals	7,187	6,166
Other payables	7,129	3,271
	56,209	67,913
Repayable as follows:		
On demand or within one year (shown under current liabilities)	54,720	47,201
In the second year	1,489	20,712
Amount due for settlement after 12 months	1,489	20,712
	56,209	67,913

* Restated – see note 37

The average credit period taken on trade payables is 63 days (2020: 100 days).

The contract liabilities relate to prepaid sales contacts whereby advance payments are received for future product deliveries.

$23.6 million of the 2020 contract liabilities were recognised in revenue in 2021 and $18.2 million will be recognised in revenue in 2022. All of the 2021 contract liabilities will be recognised in revenue in 2022.

The reason for the large decrease in contract liabilities was the sharp increase in CPO and CPKO prices experienced during 2021 and the consequential improvement in liquidity that enabled the group to reduce the advances negotiated with key customers.

The directors estimate that the fair value of trade and other payables approximates their carrying value.

31. Share capital

	2021 $'000	2020 $'000
Issued and fully paid (in dollars):		
72,000,000 – 9 per cent cumulative preference shares of £1 each (2020: 72,000,000)	116,516	116,516
43,950,429 – ordinary shares of 25p each (2020: 43,950,429)	18,071	18,071
132,500 – ordinary shares of 25p each held in treasury (2020: 132,500)	(1,001)	(1,001)
	133,586	133,586

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

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

31. Share capital – continued

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

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

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

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

The key inputs to the calculator were:

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

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

32. Non-controlling interests

	2021 $'000	2020* $'000
Beginning of year	19,025	12,999
Equity participation	–	8,722
Share of result for the year	1,935	(2,414)
Share of other comprehensive income for the year	100	(82)
Exchange translation differences	(230)	(200)
End of year	20,830	19,025

* Restated – see note 37

The non-controlling interests comprise: a 15 per cent equity interest held by two subsidiary companies of PT Dharma Satya Nusantara Tbk in the company's principal operating subsidiary, REA Kaltim, (see note (iv) to the company accounts); 5 per cent equity interests held by local partners in REA Kaltim's subsidiaries; and a 5 per cent equity interest held by the local partner in KCCRI.

32. Non-controlling interests – continued

Key financial information (including intra-group balances but excluding group adjustments) in respect of REA Kaltim and its subsidiaries as extracted from the consolidated financial statements is as follows:

	2021 $'000	2020 $'000
Revenue	191,425	138,783
Profit / (loss) after tax	26,872	(18,510)
Non-current assets	259,373	268,508
Current assets	86,340	45,573
Non-current liabilities	(128,070)	(91,775)
Current liabilities	(81,397)	(78,659)

Net cash inflow from operating activities	60,490	52,193
Net cash outflow from investing activities	(23,155)	(11,322)
Net cash outflow from financing activities	(783)	(39,329)
Net cash increase in cash and cash equivalents	36,552	1,542

33. Reconciliation of operating profit to operating cash flows

	2021 $'000	2020 $'000
Operating profit	48,083	8,806
Amortisation of intangible assets	752	1,045
Depreciation of property, plant and equipment	26,972	26,924
(Increase) / decrease in fair value of agricultural produce inventory	(2,661)	588
Increase in value of growing produce	(1,201)	(229)
(Profit) / loss on disposal of property, plant and equipment	(123)	537
Operating cash flows before movements in working capital	71,822	37,671
Decrease in inventories (excluding fair value movements)	821	1,789
Decrease / (increase) in receivables	7,312	(3,438)
(Decrease) / increase in payables	(15,537)	18,285
Exchange translation differences	(383)	(728)
Cash generated by operations	64,035	53,579
Taxes paid	(7,560)	(882)
Interest paid*	(19,555)	(19,218)
Net cash from operating activities	36,920	33,479

* Of which $214,000 is in respect of lease liabilities (2020: $301,000)

34. Movement in net borrowings

	2021 $'000	2020 $'000
Change in net borrowings resulting from cash flows:		
Increase in cash and cash equivalents, after exchange rate effects	35,087	2,277
Net (increase) / decrease in bank borrowings	(27,045)	13,484
Decrease in borrowings from non-controlling shareholder	900	7,514
Net decrease / (increase) in related party borrowings	4,068	(4,031)
	13,010	19,244
Amortisation of sterling note issue expenses and premium	(181)	(1,545)
Amortisation of dollar note issue expenses	(94)	(87)
Amortisation of bank loan expenses	(1,490)	(175)
Transfer from current assets – unamortised bank loan expenses	-	1,126
	11,245	18,563
Currency translation differences	2,438	(87)
Net borrowings at beginning of year	(189,351)	(207,827)
Net borrowings at end of year	(175,668)	(189,351)

35. Retirement benefit obligations

United Kingdom

The company is the principal employer of the R.E.A. Pension Scheme (the "Scheme") and a subsidiary company is a participating employer. The Scheme is a multi-employer contributory defined benefit scheme with assets held in a trustee administered fund, which has participating employers outside the group. The Scheme is closed to new members.

As the Scheme is a multi-employer scheme, in which the employers are unable to identify their respective shares of the underlying assets and liabilities (because there is no segregation of the assets), and does not prepare valuations on an IAS 19 basis, the group accounts for the Scheme as if it were a defined contribution scheme. The company's share of the total employer contribution is 5.86 per cent.

A non-IAS 19 valuation of the Scheme was last prepared, using the attained age method, as at 31 December 2020. This method had been adopted in the previous valuation as at 31 December 2017 and in earlier valuations, as it was considered the appropriate method of calculating future service benefits as the Scheme is closed to new members. At 31 December 2020 the Scheme had an overall marginal deficit of assets, when measured against the Scheme's technical provisions, of £2.2 million, although when the actuarial valuation was signed in August 2021 there had been a substantial improvement and there was an estimated surplus of £1.0 million. The technical provisions were calculated using assumptions of an investment return equal to the Bank of England gilt curve plus 1.2% p.a. reducing to 0.25% p.a. over the 10 years following the valuation date and annual increases in pensionable salaries in line with the Retail Prices Index ("RPI"). It was further assumed that the retired members' mortality would reflect S3PXA tables (light version) at 100 per cent and that non-retired members would take on retirement the maximum cash sums permitted from 1 January 2021. Had the Scheme been valued at 31 December 2020 using the projected unit method and the same assumptions, the overall deficit would have been similar.

The Scheme has agreed a statement of funding principles with the principal employer and has also agreed a schedule of contributions with participating employers covering normal contributions which are payable at a rate calculated to cover future service benefits under the Scheme.

Total company employer contributions (including a discretionary contribution of $111,000) for 2022 are estimated to be $132,000 (2020: $34,000 including a discretionary contribution of $20,000).

There are no agreed allocations of any surplus on either the wind-up of the Scheme or on any participant's withdrawal from the Scheme.

35. Retirement benefit obligations – continued

The sensitivity of the deficit as at 31 December 2020 to variations in certain of the principal assumptions underlying the actuarial valuation as at that date is summarised below:

	Increase in deficit $'000
Decrease in discount rate by 0.1% p.a.	613
Increase inflation by 0.1% p.a.	272
Increase in long term rate of mortality improvement by 0.25% p.a.	340

The next actuarial valuation will be made as at 31 December 2023.

The company is responsible for contributions payable by other (non group) employers in the Scheme, however such liability will only arise if other (non group) employers do not pay their contributions. There is no expectation of this and, therefore, no provision has been made.

Indonesia

In accordance with Indonesian labour laws, group employees in Indonesia are entitled to lump sum payments on retirement at the age of 55 years. The group records a provision in the financial statements which is not financed by a third party: accordingly there are no separate assets set aside to fund these entitlements. The provision was assessed at each balance sheet date by an independent actuary using the projected unit credit method. The principal assumptions used were as follows:

	2021	2020
Discount rate (per cent)	7.24	8.16
Salary increases per annum (per cent)	6	6
Mortality table (Indonesia) (TM1)	IV/2019	111-2011
Retirement age (years)	55	55
Disability rate (per cent of the mortality table)	10	10

The movement in the provision for employee service entitlements was as follows:

	2021 $'000	2020 $'000
Balance at 1 January	11,392	9,543
Current service cost	1,033	1,372
Interest expense	808	744
Actuarial (gain) / loss recognised in statement of comprehensive income	(759)	620
Reduction in future retirement benefit obligation	(2,677)	–
Exchange	(136)	(10)
Paid during the year	(812)	(877)
Balance at 31 December (see note 28)	8,849	11,392

The amounts recognised in the consolidated income statement were as follows:

	2021 $'000	2020 $'000
Current service cost	1,033	1,372
Reduction in future retirement benefit obligation	(2,677)	–
Interest expense	808	744
Exchange	(136)	(10)
	(972)	2,106

Notes to the consolidated financial statements

continued

35. Retirement benefit obligations – continued

Estimated lump sum payments to Indonesian employees on retirement in 2022 are $480,000 (2021: $400,000).

The number of employees eligible for benefits in Indonesia is 6,202 (2020: 6,162). The average age of employees is 37.8 year with 7.8 years past service and 17.2 years estimated future service. The maturity profile of the retirement benefits is as follows:

	2021 $'000	2020 $'000
Within one year	60	76
Between two and five years	302	362
Between six and ten years	661	818
After ten years	7,826	10,136
	8,849	11,392

36. Related party transactions

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

Remuneration of key management personnel

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

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

Loan from related party

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

37. Restatement

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

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

The following table summarises the impact of the restatements on the primary consolidated financial statements. The impact of the prior period adjustments on earnings per share is presented in note 12.

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

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

37. Restatement – continued

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

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

38. Rates of exchange

	2021 Closing	2021 Average	2020 Closing	2020 Average
Indonesian rupiah to US dollar	14,269	14,345	14,105	14,570
US dollar to pounds sterling	1.3499	1.3754	1.3648	1.2895

39. Events after the reporting period

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

40. Contingent liabilities

In furtherance of Indonesian government policy which requires the owners of oil palm plantations to develop smallholder plantations, during 2009 and 2010 REA Kaltim and SYB, both subsidiaries of the company, entered into agreements with three cooperatives to develop and manage land owned by the cooperatives as oil palm plantations. To assist with the funding of such development, the cooperatives concluded various long term loan agreements with Bank Pembangunan Daerah Kalimantan Timur ("Bank BPD"), a regional development bank, under which the cooperatives could borrow in aggregate up to rupiah 157 billion ($11.6 million) with amounts borrowed repayable over 14 years and secured on the lands under development ("the bank facilities"). REA Kaltim has guaranteed the obligations of two cooperatives as to payments of principal and interest under the respective bank facilities and, in addition, has committed to lend to the cooperatives any further funds required to complete the agreed development. REA Kaltim is entitled to a charge over the developments when the bank facilities have been repaid in full. SYB has guaranteed the obligations of the third cooperative on a similar basis.

As at 31 December 2021 the aggregate outstanding balances owing by the three cooperatives to Bank BPD amounted to rupiah 68.7 billion ($4.8 million) (2020: rupiah 87.2 billion – $6.2 million).

Company balance sheet

as at 31 December 2021

	Note	2021 $'000	2020 $'000
Non-current assets			
Investments			
Shares in subsidiaries		91,775	91,775
Loans		163,953	173,939
	(iv)	255,728	265,714
Deferred tax assets	(v)	1,090	1,060
Total non-current assets		256,818	266,774
Current assets			
Trade and other receivables	(vi)	20,714	2,829
Cash and cash equivalents	(vii)	304	1,319
Total current assets		21,018	4,148
Total assets		**277,836**	**270,922**
Current liabilities			
Trade and other payables	(viii)	(1,036)	(13,118)
Dollar notes	(ix)	(26,985)	–
Total current liabilities		(28,021)	(13,118)
Non-current liabilities			
Dollar notes	(ix)	–	(26,891)
Amount owed to group undertaking	(x)	(43,494)	(43,868)
Total non-current liabilities		(43,494)	(70,759)
Total liabilities		**(71,515)**	**(83,877)**
Net assets		**206,321**	**187,045**
Equity			
Share capital	(xi)	133,586	133,586
Share premium account		47,358	47,358
Exchange reserve		(4,300)	(4,300)
Profit and loss account		29,677	10,401
Total equity		**206,321**	**187,045**

The company reported a profit for the financial year ended 31 December 2021 of $29,063,000 (2020: loss of $6,537,000).

Approved by the board on 21 April 2022 and signed on behalf of the board.

DAVID J BLACKETT
Chairman

Company statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital $'000	Share premium $'000	Exchange reserve $'000	Profit and loss $'000	Total $'000
At 1 January 2020		133,586	47,358	(4,300)	15,805	192,449
Total comprehensive income		–	–	–	(6,537)	(6,537)
Issue of warrants	(xi)	–	–	–	1,133	1,133
At 31 December 2020		133,586	47,358	(4,300)	10,401	187,045
Total comprehensive income		–	–	–	29,063	29,063
Dividends to preference shareholders	(iii)	–	–	–	(9,787)	(9,787)
At 31 December 2021		**133,586**	**47,358**	**(4,300)**	**29,677**	**206,321**

There are no gains or losses other than those recognised in the profit and loss account.

Accounting policies (company)

The accounting policies of R.E.A. Holdings plc (the "company") are the same as those of the group, save as modified below.

Basis of accounting

Separate financial statements of the company are required by the Companies Act 2006. These financial statements are prepared in accordance with the historical cost convention, except as described in the accounting policy on financial instruments, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and in accordance with applicable United Kingdom laws.

These financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (CA 2006) and as set out below where advantage of the FRS 101 disclosure exemptions has been taken. These financial statements thus present information about the company as an individual undertaking not as a group undertaking.

In these financial statements, the company has applied the exemptions under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes
- transactions with wholly owned subsidiaries
- capital management
- as required by IFRS 13: Fair Value Measurement and IFRS 7: Financial Instrument Disclosures
- the effect of new but not yet effective IFRSs
- disclosures in respect of compensation of key management personnel

For the reasons given under "Going concern" in the "Directors' report", the company financial statements have been prepared on the going concern basis.

By virtue of section 408 of the Companies Act 2006, the company is exempted from presenting a profit and loss account.

Presentational currency

The financial statements of the company are presented in US dollars which is also considered to be the currency of the primary economic environment in which the company operates. References to "$" or "dollar" in these financial statements are to the lawful currency of the United States of America.

Adoption of new and revised standards

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

Notes to the company financial statements

(i) Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are set out in "Accounting polices (company)" above, the directors are required to make judgements, estimates and assumptions. Such judgements, estimates and assumptions are based upon historical experience and other factors that are considered to be relevant. Actual values of assets and amounts of liabilities may differ from estimates. The judgements, estimates and assumptions are reviewed on a regular basis. Revisions to estimates are recognised in the period in which the estimates are revised.

In the opinion of the directors, all critical accounting judgements and key sources of estimation uncertainty relate to the group's operations as disclosed in note 1 to the consolidated financial statements with the exception of the investments in, and loans to group companies which are a source of estimation uncertainty to the company only as these are eliminated in the consolidated financial statements.

As at 31 December 2021 the shares in subsidiaries are carried at cost of $91.8 million (2020: $91.8 million) and the loans to group companies at $109.3 million (2020: $111.9 million).

The carrying value of the investment in subsidiary undertakings is reviewed for impairment on an annual basis by means of the plantations and stone and coal impairment testing as described in note 1 to the consolidated accounts.

(ii) Auditor's remuneration

The remuneration of the company's auditor is disclosed in note 5 to the consolidated financial statements as required by section 494(4)(a) of the Companies Act 2006.

(iii) Dividends

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

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

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

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

(iv) Investments

	2021 $'000	2020 $'000
Shares in subsidiaries	91,775	91,775
Loans to group companies and third parties	163,953	173,939
	255,728	265,714

Notes to the company financial statements

continued

(iv) Investments – continued

The movements were as follows:

	Shares $'000	Loans $'000
At 1 January 2020	91,775	165,308
Repayment of loans	–	(42,580)
Additions to loans	–	51,211
At 31 December 2020	91,775	173,939
Repayment of loans	–	(11,640)
Additions to loans	–	1,654
At 31 December 2021	91,775	163,953

The subsidiaries at the year end, together with their countries of incorporation, activity, registered office address and proportion of ownership, are listed below. Details of UK dormant subsidiaries are not shown.

Subsidiary	Activity	Registered Office	Class of shares	Percentage owned
Makassar Investments Limited (Jersey)	Sub holding company	5th floor, 37 Esplanade, St Helier, Jersey JE1 2TR	Ordinary	100.0
PT Cipta Davia Mandiri (Indonesia)	Plantation agriculture	Gedung Grha Bintang 1st Floor B-C-D, Jl. Jend. Sudirman No. 423, Damai Bahagia, Balikpapan Selatan, Balikpapan 76114, Kalimantan Timur	Ordinary	85.0
PT Kartanegara Kumala Sakti (Indonesia)	Plantation agriculture	As for PT Cipta Davia Mandiri	Ordinary	80.8
PT KCC Resources Indonesia (Indonesia)	Stone and coal interests	Plaza 5 Pondok Indah Blok B.06, JL Margaguna Raya, Gandaria Utara, Kebayoran Baru, Jakarta Selatan 12140	Ordinary	95.0
PT Kutai Mitra Sejahtera (Indonesia)	Plantation agriculture	As for PT Cipta Davia Mandiri	Ordinary	80.8
PT Persada Bangun Jaya (Indonesia)	Plantation agriculture	As for PT Cipta Davia Mandiri	Ordinary	80.8
PT REA Kaltim Plantations (Indonesia)	Plantation agriculture	As for PT Cipta Davia Mandiri	Ordinary	85.0
PT Sasana Yudha Bhakti (Indonesia)	Plantation agriculture	As for PT Cipta Davia Mandiri	Ordinary	80.8
PT Prasetia Utama (Indonesia)	Plantation agriculture	As for PT Cipta Davia Mandiri	Ordinary	80.8
KCC Resources Limited (England and Wales)	Sub holding company	5th Floor North, Tennyson House, 159-165 Great Portland Street London W1W 5PA	Ordinary	100.0
REA Finance B.V. (Netherlands)	Group finance	Amstelveenseweg 760, 1081 JK, Amsterdam, Netherlands	Ordinary	100.0
R.E.A. Services Limited (England and Wales)	Group finance and services	5th Floor North, Tennyson House, 159-165 Great Portland Street London W1W 5PA	Ordinary	100.0
Proprietary Trustees Limited	Dormant	As for R.E.A. Services Limited	Ordinary	100.0

The entire shareholdings in Makassar Investments Limited, KCC Resources Limited, R.E.A. Services Limited and REA Finance B.V. ("REAF") are held directly by the company. All other shareholdings are held by subsidiaries.

Covenants contained in credit agreements between certain of the company's plantation subsidiaries and banks restrict the amount of dividend that may be paid to the UK without the consent of the banks. The directors do not consider that such restrictions will have any significant impact on the liquidity risk of the company.

The company evaluates its investments in subsidiary undertakings annually for any indicators of impairment. The company considers the relationship between its market capitalisation and the carrying value of its investments, among other factors, when reviewing for indicators of impairment.

However, as a result of the plantations and stone and coal impairment testing described in note 1 to the consolidated financial statements the directors have determined that no impairment is required.

(v) Deferred tax asset

	$'000
At 1 January 2020	516
Credit to income for the year	544
At 31 December 2020	1,060
Credit to income for the year	30
At 31 December 2021	1,090

There were no deferred tax liabilities at 31 December 2021 or 31 December 2020.

At the balance sheet date, the company had unused tax losses of $5.7 million (2020: $5.6 million) available to be applied against future profits. A deferred tax asset of $1.1 million (2020: $1.1 million) has been recognised in respect of these losses as the company considers, based on financial projections, that these losses will be utilised.

The deferred tax asset reflects a tax rate of 25 per cent (2020: 19 per cent).

The aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which tax liabilities have not been recognised are disclosed in note 27 to the consolidated financial statements.

(vi) Trade and other receivables

	2021 $'000	2020 $'000
Amount owing by group undertakings	20,654	2,776
Other debtors	58	53
Prepayments and accrued income	2	–
	20,714	2,829

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The amounts owing by group undertakings are non-interest bearing and repayable on demand.

(vii) Cash and cash equivalents

Cash and cash equivalents comprise short-term bank deposits. The Moody's prime ratings of these deposits amounting to $0.3 million (2020: $1.3 million) is P1.

(viii) Trade and other payables

	2021 $'000	2020 $'000
Amount owing to group undertakings	797	8,365
Loans from related party	–	4,031
Other creditors	35	24
Accruals	204	698
	1,036	13,118

The directors consider that the carrying amount of trade and other payables approximates their fair value. The amounts owing to group undertakings are non-interest bearing and repayable on demand.

(ix) Dollar notes

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

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

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

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

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

(x) Amount owed to group undertaking

Amount owed to group undertaking comprises an unsecured interest-bearing loan of £31.3 million – $42.3 million (2020: £31.3 million – $42.8 million) from REAF held at amortised cost. The sterling notes held by REAF were successfully refinanced on 1 April 2020 and are now repayable on 31 August 2025 (see note 25 to the consolidated financial statements). The amount owed by the company to REAF is also repayable on that date. A premium of 4p per sterling note will be payable on redemption in August 2025, the cost of this is being added to the sterling notes and therefore also the loan over the period to 31 August 2025. The amount added as at 31 December 2021 is £0.9 million – $1.2 million, of which £75,000 – $103,000 has been charged as a finance cost in the company's income statement.

(xi) Share capital

	2021 $'000	2020 $'000
Issued and fully paid (in dollars):		
72,000,000 – 9 per cent cumulative preference shares of £1 each (2020: 72,000,000)	116,516	116,516
43,950,529 – ordinary shares of 25p each (2020: 43,950,529)	18,071	18,071
132,500 – ordinary shares of 25p each held in treasury (2020: 132,500)	(1,001)	(1,001)
	133,586	133,586

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

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

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

(xi) Share capital – continued

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

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

The key inputs to the calculator were:

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

The calculated fair value of £912,000/$1,133,000 was charged in the company's income statement as a finance cost and there was a corresponding credit to retained earnings brought forward.

(xii) Pensions

The company is the principal employer of the R.E.A. Pension Scheme (the "Scheme") and a subsidiary company is a participating employer. The Scheme is a multi-employer contributory defined benefit scheme with assets held in a trustee-administered fund, which has participating employers outside the group. The Scheme is closed to new members.

As the Scheme is a multi-employer scheme, in which the employers are unable to identify their respective shares of the underlying assets and liabilities (because there is no segregation of the assets), and does not prepare valuations on an IAS 19 basis, the company accounts for the Scheme as if it were a defined contribution scheme. The company's share of the total employer contribution is 5.86 per cent.

A non-IAS 19 valuation of the Scheme was last prepared, using the attained age method, as at 31 December 2020. This method had been adopted in the previous valuation as at 31 December 2017 and in earlier valuations, as it was considered the appropriate method of calculating future service benefits as the Scheme is closed to new members. At 31 December 2020 the Scheme had an overall marginal deficit of assets, when measured against the Scheme's technical provisions, of £2.2 million, although when the actuarial valuation was signed in August 2021 there had been a substantial improvement and there was an estimated surplus of £1.0 million. The technical provisions were calculated using assumptions of an investment return equal to the Bank of England gilt curve plus 1.2% p.a. reducing to 0.25% p.a. over the 10 years following the valuation date and annual increases in pensionable salaries in line with the Retail Prices Index ("RPI"). It was further assumed that the retired members' mortality would reflect S3PXA tables (light version) at 100 per cent and that non-retired members would take on retirement the maximum cash sums permitted from 1 January 2021. Had the Scheme been valued at 31 December 2020 using the projected unit method and the same assumptions, the overall deficit would have been similar.

The Scheme has agreed a statement of funding principles with the company and has also agreed a schedule of contributions with participating employers covering normal contributions which are payable at a rate calculated to cover future service benefits under the Scheme.

Total company employer contributions (including a discretionary contribution of $111,000) for 2022 are estimated to be $132,000 (2021: $34,000 including a discretionary contribution of $20,000).

There are no agreed allocations of any surplus on either the wind-up of the Scheme or on any participant's withdrawal from the Scheme.

The next actuarial valuation will be made as at 31 December 2023.

Notes to the company financial statements

continued

(xii) Pensions – continued

The company is responsible for contributions payable by other (non group) employers in the Scheme; however, such liability will only arise if other (non group) employers do not pay their contributions. There is no expectation of this and, therefore, no provision has been made.

(xiii) Related party transactions

Loans to subsidiaries	2021 $'000	2020 $'000
PT KCC Resources Indonesia	15,482	14,919
PT REA Kaltim Plantations	31,592	34,142
Makassar Investments Limited	65,297	65,297
	112,371	114,358

Interest received from subsidiary	$'000	$'000
PT REA Kaltim Plantations	1,772	3,294
	1,772	3,294

Loan from related party

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

(xiv) Rates of exchange

See note 38 to the consolidated financial statements.

(xv) Events after the reporting period

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

(xvi) Contingent liabilities and commitments

Sterling notes

The company has guaranteed the obligations for both principal and interest relating to the outstanding £30.9 million nominal 8.75 per cent guaranteed sterling notes 2025 issued by REAF. The directors consider the risk of loss to the company from these guarantees to be remote.

Bank borrowings

The company has given, in the ordinary course of business, guarantees in support of subsidiary company borrowings from, and other contracts with, banks amounting in aggregate to $136.8 million (2020: $111.2 million). The directors consider the risk of loss to the company from these guarantees to be remote.

Pension liability

The company's contingent liability for pension contributions is disclosed in note (xii) above.

Notice of annual general meeting

This notice is important and requires your immediate attention. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you are not so resident, another appropriately authorised independent adviser. If you have sold or otherwise transferred all your shares in R.E.A. Holdings plc, please forward this document to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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

Attendance

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

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

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

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

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

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

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

Notice

Notice is hereby given that the sixty second annual general meeting of R.E.A. Holdings plc will be held at the London office of Ashurst LLP at London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW on 9 June 2022 at 10.00 am to consider and, if thought fit, to pass the following resolutions. Resolutions 14, 15 and 16 will be proposed as special resolutions, all other resolutions will be proposed as ordinary resolutions.

1. To receive the company's annual accounts for the financial year ended 31 December 2021, together with the accompanying statements and reports including the independent auditor's report.

2. To approve the directors' remuneration report for the financial year ended 31 December 2021.

3. To re-elect as a director David Blackett.

4. To re-elect as a director Carol Gysin.

5. To re-elect as a director John Oakley.

6. To re-elect as a director Richard Robinow.

7. To re-elect as a director Rizal Satar.

8. To re-elect as a director Michael St Clair-George.

9. To re-appoint MHA MacIntyre Hudson, chartered accountants, as auditor of the company to hold office until the conclusion of the next annual general meeting of the company at which accounts are laid before the meeting.

10. To authorise the audit committee to determine and approve the remuneration of the independent auditor.

11. That the company is generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of any of its ordinary shares on such terms and in such manner as the directors may from time to time determine provided that:

    (a) the maximum number of ordinary shares which may be purchased is 5,000,000 ordinary shares;

    (b) the minimum price (exclusive of expenses, if any) that may be paid for each ordinary share is £1.00;

    (c) the maximum price (exclusive of expenses, if any) that may be paid for each ordinary share is an amount equal to the higher of: (i) 105 per cent of the average of the middle market quotations for the ordinary shares in the capital of the company as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such share is contracted to be purchased and (ii) the higher of the last independent trade of an ordinary share and the current highest independent bid on the London Stock Exchange; and

(d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the annual general meeting of the company to be held in 2023 (or, if earlier, on 30 June 2023)

provided further that:

(i) notwithstanding the provisions of paragraph (a) above, the maximum number of ordinary shares that may be bought back and held in treasury at any one time is 400,000 ordinary shares; and

(ii) notwithstanding the provisions of paragraph (d) above, the company may, before this authority expires, make a contract to purchase ordinary shares that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired.

12. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the company to allot, and to grant rights to subscribe for or to convert any security into, shares in the capital of the company (other than 9 per cent cumulative preference shares) up to an aggregate nominal amount (within the meaning of sub-sections (3) and (6) of section 551 of the Act) of £3,662,554; such authorisation to expire at the conclusion of the next annual general meeting of the company (or, if earlier, on 30 June 2023), save that the company may before such expiry make any offer or agreement which would or might require shares to be allotted, or rights to be granted, after such expiry and the directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired.

13. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the company to allot, and to grant rights to subscribe for or to convert any security into, 9 per cent cumulative preference shares in the capital of the company ("preference shares") up to an aggregate nominal amount (within the meaning of sub- sections (3) and (6) of section 551 of the Act) of £24,000,000, such authorisation to expire at the conclusion of the next annual general meeting of the company (or, if earlier, on 30 June 2023), save that the company may before such expiry make any offer or agreement which would or might require preference shares to be allotted or rights to be granted, after such expiry and the directors may allot preference shares, or grant rights to subscribe for or to convert any security into preference shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired.

14. That the directors be and are hereby given power:

(a) for the purposes of section 570 of the Companies Act 2006 (the "Act") and subject to the passing of resolution 12 set out in the notice of the 2022 annual general meeting, to allot equity securities (as defined in sub-section (1) of section 560 of the Act) of the company for cash pursuant to the authorisation conferred by the said resolution 12; and

(b) or the purposes of section 573 of the Act, to sell ordinary shares (as defined in sub-section (1) of section 560 of the Act) in the capital of the company held by the company as treasury shares for cash.

as if section 561 of the Act did not apply to the allotment or sale, provided that such powers shall be limited:

(i) to the allotment of equity securities for cash in connection with a rights issue or open offer in favour of holders of ordinary shares and to the sale of treasury shares by way of an invitation made by way of rights to holders of ordinary shares, in each case in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them on the record date for participation in the rights issue, open offer or invitation (and holders of any other class of equity securities entitled to participate therein or, if the directors consider it necessary, as permitted by the rights of those securities) but subject in each case to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares (other than treasury shares being sold), record dates or legal, regulatory or practical difficulties which may arise under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory whatsoever; and otherwise than as specified at paragraph (i) of this resolution, to the allotment of equity securities and the sale of treasury shares up to an aggregate nominal amount (calculated, in the case of the grant of rights to subscribe for, or convert any security into, shares in the capital of the company, in accordance with sub-section (6) of section 551 of the Act) of £549,381; and shall expire at the conclusion of the next annual general meeting of the company (or, if earlier, on 30 June 2023), save that the company may before such expiry make any offer or agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors may allot equity securities or sell treasury shares, in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

15. That the directors be and are hereby given power, in addition to the power given by resolution 14:

(a) for the purposes of section 570 of the Companies Act 2006 (the "Act") and subject to the passing of resolution 12 and 14 set out in the notice of the 2022 annual general meeting, to allot equity securities (as defined in sub-section (1) of section 560 of the Act) of the company for cash pursuant to the authorisation conferred by the said resolution 12; and

(b) for the purposes of section 573 of the Act, to sell ordinary shares (as defined in sub-section (1) of section 560 of the Act) in the capital of the company held by the company as treasury shares for cash.

as if section 561 of the Act did not apply to the allotment or sale, provided that such powers shall be:

(i) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors have determined to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice, or for any other purposes as the Company in general meeting may at any time by special resolution determine; and

(ii) limited to the allotment of equity securities for cash and the sale of treasury shares up to an aggregate nominal amount (calculated, in the case of the grant of rights to subscribe for, or convert any security into, shares in the capital of the company, in accordance with sub-section (6) of section 551 of the Act) of £549,381,

and shall expire at the conclusion of the next annual general meeting of the company (or, if earlier, on 30 June 2023), save that the company may before such expiry make any offer or agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors may allot equity securities or sell treasury shares, in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

16. That a general meeting of the company other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the board
R.E.A. SERVICES LIMITED
Secretary
21 April 2022

Registered office:
5th Floor North
Tennyson House
159-165 Great Portland Street
London W1W 5PA

Registered in England and Wales no: 00671099

Notes

The sections of the accompanying Directors' report entitled "Directors", "Acquisition of the company's own shares", "Authorities to allot share capital", "Authority to disapply pre-emption rights", "General meeting notice period" and "Recommendation" contain information regarding, and recommendations by the board of the company as to voting on, resolutions 3 to 8 and 11 to 16 set out above in this notice of the 2022 annual general meeting of the company (the "2022 Notice").

With respect to the 2022 annual general meeting, all shareholders are advised that they and their respective proxies will be allowed to attend the meeting in person but that this may be subject to any new restrictions or guidance in relation to the Covid 19 at the time of the meeting. Please refer to the introduction to this notice for more information.

The company specifies that in order to have the right to attend and vote at the annual general meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the company at close of business on 7 June 2022 or, in the event of any adjournment, at close of business on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting (please refer to the introduction to this notice for information on attendance with respect to the 2022 annual general meeting).

As at the date of the 2022 Notice, the dividends payable on 30 June 2019, 31 December 2019 and 30 June 2020 to holders of preference shares have been in arrear for a period of more than 6 months; as such the holders of preference shares pursuant to the articles of association of the company are entitled to attend and vote at the 2022 annual general meeting of the company (please refer to introduction to this notice for information on attendance with respect to the 2022 annual general meeting).

Both the holders of ordinary shares and holders of preference shares (the "shares") are therefore entitled to attend and vote at the 2022 annual general meeting (please refer to introduction to this notice for information on attendance with respect to the 2022 annual general meeting). A holder of shares may appoint another person as that holder's proxy to exercise all or any of the holder's rights at the annual general meeting. A holder of shares may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to (a) different share(s) held by the holder. A proxy need not be a member of the company. A form of proxy for the meeting can be requested from the company's registrars: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL – telephone number +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. To be valid, forms of proxy and other written instruments appointing a proxy must be received by post or by hand (during normal business hours only) by the company's registrars, Link Group, PXS, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by no later than 10.00 am on 7 June 2022.

Alternatively, appointment of a proxy may be submitted electronically by using either Link's share portal at www.signalshares.com, the LinkVote+ app, so that the appointment is received by the service by no later than 10.00 am on 7 June 2022 or the CREST electronic proxy appointment service as described below.

Shareholders who have not already registered for Link's share portal may do so by registering as a new user at www.signalshares.com and giving the investor code as shown on their share certificate. To further assist shareholders to vote electronically, Link Group has launched an app LinkVote+, which is free for shareholders to download and use. The app gives shareholders the ability to access their shareholding records and to vote quickly and easily and is available to download from the Apple App Store and via Google Play.

CREST members may register the appointment of a proxy or proxies for the annual general meeting and any adjournment(s) thereof through the CREST electronic proxy appointment service by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST) subject to the company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction regarding a proxy appointment made or given using the CREST service to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("Euroclear") and must contain the required information as described in the CREST Manual (available via www.euroclear.com/CREST). The CREST proxy instruction, regardless of whether it constitutes a proxy appointment or an instruction to amend a previous proxy appointment, must, in order to be valid be transmitted so as to be received by the company's registrars (ID: RA10) by 10.00 am on 7 June 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST applications host) from which the company's registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that such member's CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The rights of members in relation to the appointment of proxies described above do not apply to persons nominated under section 146 of the Companies Act 2006 to enjoy information rights ("nominated persons") but a nominated person may have a right, under an agreement with the member by whom such person was nominated, to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a nominated person has no such right or does not wish to exercise it, such person may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Any member attending the annual general meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

Notice of annual general meeting
continued

A copy of this 2022 Notice, and other information required by section 311A of the Companies Act 2006, may be found on the group's website at www.rea.co.uk.

Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the company to publish on a website (in accordance with section 528 of the Companies Act 2006) a statement setting out any matter that the members propose to raise at the relevant annual general meeting relating to (i) the audit of the company's annual accounts that are to be laid before the annual general meeting (including the independent auditor's report and the conduct of the audit); or (ii) any circumstance connected with an auditor of the company having ceased to hold office since the last annual general meeting of the company. The company may not require the members requesting any such website publication to pay its expenses in complying with section 527 or section 528 of the Companies Act 2006. Where the company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the company's auditor by not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes any statement that the company has been required under section 527 of the Companies Act 2006 to publish on a website.

As at the date of this 2022 Notice, the issued share capital of the company comprises 43,950,529 ordinary shares, of which 132,500 are held as treasury shares, and 72,000,000 9 per cent cumulative preference shares. Holders of ordinary shares and holders of preference shares (and their respective proxies) are entitled to attend and vote at the annual general meeting. Noting that with respect to the 2022 annual general meeting, all shareholders and their respective proxies are advised that they will not be allowed to attend the meeting in person. Please refer to the introduction to this notice for more information.

Accordingly, the voting rights attaching to shares of the company exercisable in respect of each of the resolutions to be proposed at the annual general meeting total 115,818,029 as at the date of this 2022 Notice.

Shareholders may not use any electronic address (within the meaning of sub-section 4 of section 333 of the Companies Act 2006) provided in this 2022 Notice (or any other related document) to communicate with the company for any purposes other than those expressly stated.

Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the company (i) to give, to members of the company entitled to receive notice of the annual general meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the company not later than the date 6 clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

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R.E.A. HOLDINGS PLC

R.E.A. Holdings plc Annual Report and Accounts 2021

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