



R.E.A. HOLDINGS PLC



Half yearly report

2023

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

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

## Key statistics

	6 months to 30 June 2023	6 months to 30 June 2022
<b>Results (\$'000)</b>		
Revenue	73,622	108,622
Earnings before interest, tax, depreciation and amortisation*	15,474	31,225
(Loss) / profit before tax	(15,194)	19,182
(Loss) / profit attributable to ordinary shareholders	(14,772)	7,884
Cash generated by / (contributed to) operations	14,460	(2,676)

### Returns per ordinary share

(Loss) / profit (US cents)	(33.6)	17.9
Dividend (pence)	–	–

### FFB harvested (tonnes)

Group	346,216	321,993
Third party	98,413	126,893
Total	444,629	448,886

### Production (tonnes)

Total FFB processed	411,255	428,608
FFB sold	32,345	14,445
CPO	90,167	96,299
Palm kernels	20,300	20,578
CPKO	8,331	7,970

### Extraction rates (per cent)\*\*

CPO	21.9	22.5
Palm kernels	4.9	4.8
CPKO	39.6	39.5

### Average exchange rates

Indonesian rupiah to dollar	15,113	14,485
Dollar to sterling	1.23	1.29

\* See note 5

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

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

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

Other terms in this report are listed in the glossary.

## Contents

Highlights	2
Map	3
Interim management report	4
Principal risks and uncertainties	9
Going concern	10
Directors' responsibilities	11
Consolidated income statement	12
Consolidated statement of comprehensive income	13
Consolidated balance sheet	14
Consolidated statement of changes in equity	15
Consolidated cash flow statement	16
Notes to the condensed consolidated financial statements	17
Glossary	30

# Highlights

## Overview

- Significantly lower average selling prices for CPO of \$746 per tonne (2022: \$971 per tonne) in the first half negatively impacted revenue and EBITDA by \$18.7m compared with 2022
- Net result before tax further impacted by a \$14.4 million adverse swing in exchange differences

## Financial

- Revenue lower at \$73.6 million (2022: \$108.6 million) but cost of sales also lower at \$61.3m (2022: \$79.9m) principally reflecting the reduced selling prices and correspondingly reduced prices for FFB purchased from third parties
- EBITDA of \$15.5 million (2022: \$31.2 million)
- Loss before tax of \$15.2 million (2022: profit before tax of \$19.2 million)
- Entire treasury holding of \$8.6 million dollar notes sold
- Net indebtedness at 30 June 2023 of \$186.7 million (2022: \$166.7 million) with \$7.7 million of increase due to foreign exchange movements on debt
- Semi-annual preference dividend paid on 30 June 2023

## Agricultural operations

- FFB production up 7.5 per cent to 346,216 tonnes (2022: 321,993 tonnes)
- Average CPO extraction rate of 21.9 per cent (2022: 22.5 per cent)
- Replanting and extension planting proceeding: replanting in line with previously announced programmes and extension planting with a revised target for 2023 of 800 hectares
- POM boiler reinstated and all three mills working with greater resilience and reliability and with ample processing capacity

## Stone and coal interests

- Coal production at IPA's Kota Bangun concession slowed following collapse in coal prices
- Arrangements progressing for exploitation of the quartz sand at IPA
- ATP expected to commence commercial quarrying of stone in the final quarter of 2023 with access roads now under construction

## Environmental, social and governance

- Group signed up to SBTi in furtherance of commitment to decarbonisation
- Certification audits and recertifications successfully completed
- Good progress in collaborations with third parties to support sustainability aspirations, especially as regards smallholder developments, to improve group's credentials as a seller of sustainable CPO
- Platinum rating awarded for a second year by the Ministry of Manpower for the group's Covid prevention and control programme

## Outlook

- Full year production expected to be ahead of 2022, with crops weighted to the second half
- Outlook for CPO market remains favourable with maturing plantations and limited availability of new land
- Directors exploring options to reduce group net indebtedness, including possible divestment of certain assets
- Encouraging progress in the group's agricultural operations, likelihood of future loan recoveries from the stone and coal interests and revenue from quartz sand should together improve financial resilience

# 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
	Methane capture plant
	Oil mill
	Proposed new Indonesian capital city
	Road
	Stone source
	Tank storage

Companies	
<b>CDM</b>	PT Cipta Davia Mandiri
<b>KMS</b>	PT Kutai Mitra Sejahtera
<b>PBJ2</b>	PT Persada Bangun Jaya
<b>PU</b>	PT Praselia Utama
<b>REA Kaltim</b>	PT REA Kaltim Plantations
<b>SYB</b>	PT Sasana Yudha Bhakti
<b>SYB</b>	SYB land transfer

# Interim management report

## Results

Earnings before interest, tax, depreciation and amortisation amounted to \$15.5 million (2022: \$31.2 million).

With a \$14.4 million adverse swing in exchange differences (\$7.2 million loss against 2022 \$7.2 million gain) and without the benefit of the 2022 provision release of \$3.2 million, this resulted in a loss before tax of \$15.2 million (2022: profit before tax of \$19.2 million).

Revenue at \$73.6 million was lower than 2022's figure of \$108.6 million, reflecting reduced selling prices and a higher proportion of crop sold as FFB as compared to 2022.

Average price realised and volumes sold were:

	6 months to 30 June 2023 \$	6 months to 30 June 2022 \$	Year to 31 December 2022 \$
Average price per tonne*:			
CPO	746	971	821
CPKO	875	1,712	1,185
* Including premia for certified oil but net of export levy and duty, adjusted to FOB Samarinda			
	6 months to 30 June 2023	6 months to 30 June 2022	Year to 31 December 2022
Tonnes sold:			
CPO	83,063	96,068	217,625
CPKO	5,886	6,003	16,193

## Specific components of the results

Cost of sales for the six months to 30 June 2023, with comparative figures for 2022, was made up as follows:

	6 months to 30 June 2023 \$'m	6 months to 30 June 2022 \$'m	Year to 31 December 2022 \$'m
Estate operating costs	35.9	37.4	76.6
Purchase of external FFB	16.6	27.4	43.0
Depreciation and amortisation	14.3	13.8	27.7
Stock movement	(5.5)	1.3	0.5
	61.3	79.9	147.8

The overall decrease of \$18.6 million in cost of sales against the corresponding period in 2022 was the result of the reduced prices for FFB purchased from third parties, reflecting the reduced selling prices of both CPO and CPKO, and, to a lesser extent, the credit in respect of stock movements due to high stock levels at 30 June 2023 as a result of a 4,000 tonne CPO sale scheduled for the end of June not being fulfilled until July.

Administrative expenses amounted to \$10.2 million against \$9.4 million in 2022, the increase being due to the loss on disposal of PPE being \$0.8 million higher than 2022.

Investment revenues amounted to \$0.9 million against \$4.2 million in 2022. The reported revenues for 2022 benefited from a \$3.2 million release of a provision in respect of prior year interest receivable from a coal concession holding company (as referred to above).

The \$8.3 million loss reported under Other losses and gains compared to a \$7.2 million gain in the equivalent period in 2022. The 2023 loss comprised three items: \$7.2 million represented foreign exchange losses (2022: \$7.2 million foreign exchange gain); a \$0.7 million loss from the reorganisation of ownership of the company's subsidiary, CDM; and a \$0.4 million loss arising from the sale of the group's entire treasury holding of \$8.6 million dollar notes at 95 per cent of the par value of such notes.

Foreign exchange losses in 2023 and corresponding gains in 2022 principally arose on the revaluation of sterling and rupiah monetary items and in 2023 reflected the strengthening (2022: weakening) of sterling and the rupiah against the dollar.

Finance costs for the half year amounted to \$9.0 million against \$9.7 million in the equivalent period in 2022. The decrease of \$0.7 million relates principally to lower interest on bank loans, the weighted average interest rate being 7.8 per cent for 2023 compared with 8.5 per cent for the equivalent period in 2022.

Taxation for the period was a credit of \$2.6 million against a charge of \$5.0 million in 2022. The 2023 credit comprises a deferred tax credit of \$4.8 million (2022: \$0.9 million) arising on the translation of opening deferred tax balances partially offset by a current tax charge of \$2.2 million (2022: \$5.9 million), reflecting the reduction in taxable profits.

## Dividends

The semi-annual dividend on the company's preference shares that fell due on 30 June 2023 was duly paid.

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. There are currently arrears of preference dividend amounting to 7p per share.

At the time of publication of the group's annual report, the directors had expected that the group's operational performance and cash flows would continue at levels that would permit the dividends arising on the preference shares during 2023 to be paid as they fell due and the arrears of preference dividend to be eliminated during the year. A subsequent sharp decline in coal prices has significantly reduced expected repayments of loans made by the group to the coal concession holding companies and Indonesian CPO prices have been weaker than anticipated. As a result, cash flows for 2023 are likely to fall short of the levels expected earlier in 2023.

Against this background, the directors now expect that any further catch up of arrears of preference dividend will have to be postponed. A decision to pay the normal preference

dividend arising on 31 December 2023 is being kept under review and will only be taken in late November when the financial position of the group at the end of 2023 can be more accurately projected.

## Agricultural operations

Key agricultural statistics were as follows:

	6 months to 30 June 2023	6 months to 30 June 2022
<b>FFB harvested (tonnes)</b>		
Group	346,216	321,993
Third party	98,413	126,893
<b>Total</b>	<b>444,629</b>	<b>448,886</b>
<b>Production (tonnes)</b>		
Total FFB processed	411,255	428,608
FFB sold	32,345	14,445
CPO	90,167	96,299
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CPKO	8,331	7,970
<b>Extraction rates (per cent)</b>		
CPO	21.9	22.5
Palm kernels	4.9	4.8
CPKO*	39.6	39.5
<b>Rainfall (mm)</b>		
Average across the estates	1,924	2,012

\* Based on kernels processed

Group FFB for the first half of 2023 was slightly ahead of budget and some 7.5 per cent higher than the corresponding period in 2022. Competition from other mills offering enhanced payment terms for externally sourced FFB resulted in some reduction in purchases of third party fruit during the initial months of the year but, following adjustment of the group's purchase prices in the second quarter, purchase levels returned to normal.

The above average number of declared rain days (being days on which normal harvesting had to be cancelled) impacted harvesting rounds and field efficiencies in the first half of 2023. In turn, this contributed to some oil losses and therefore a lower CPO extraction rate as compared with 2022. With greater efficiency in loose fruit collection and faster evacuation of FFB, facilitated by the ongoing investment in the group's estate road network, current extraction rates are showing an improvement on those of the first half.

Replanting of the group's older mature areas is proceeding in line with the group's previously announced programmes. Extension planting at the group's newest estate at PU is also progressing but at a slower pace than originally planned. It is

now expected that the total area planted at PU in 2023 will be 800 hectares.

Reinstatement of the boiler at POM, that had been damaged by fire in 2021, was completed in the first quarter of the year and claims under the group's insurance policy for the majority of the works have been duly settled. Overall, the group's three mills are working with greater resilience and reliability than in the past and with ample processing capacity for the group's own FFB production and that of third parties.

As noted previously, the premia that the group receives for selling CPO that is sustainable may be increased significantly by selling segregated sustainable oil. The group is continuing to explore opportunities for reorganising the processing of its fruit so as to process only sustainable FFB in one mill and then to segregate the delivery of CPO from this mill.

With the typical weighting of crops to the second half, ongoing upgrading of operational infrastructure as well as more favourable weather conditions, production is expected to see an improvement in the second half of the year.

## Agricultural selling prices

Opening the year at \$1,090 per tonne, CIF Rotterdam, CPO prices weakened progressively through the first 6 months of the year to a low of \$855 per tonne in early June 2023. Since the low point in June, the CPO price currently stands at \$900 per tonne.

As previously reported, the Indonesian government applies duties and tariff on exports of CPO and CPKO. These tariffs are calculated on a sliding scale by reference to prices that are set periodically by the Indonesian government on the basis of CIF Rotterdam and other recognised benchmark CPO prices.

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. Export tariffs and restrictions therefore have an indirect effect on the prices that the group achieves on sales of its CPO.

The average selling price for the group's CPO for the six months to the end of June 2023, including premia for certified oil, net of export duty and levy, adjusted to FOB Samarinda, was \$746 per tonne (2022: \$971 per tonne). The average selling price for the group's CPKO, on the same basis, was \$875 per tonne (2022: \$1,712 per tonne).

There is a continuing expectation that growth in global production of CPO will remain generally slower than in the past. With dry weather in North America affecting soybean and canola crops and the Russian / Ukrainian situation continuing to impact sunflower seed exports, the immediate outlook for CPO prices appears positive. A number of forecasters are predicting an imminent El Niño event. Were this to occur, it would be likely to push CPO prices higher.

# Interim management report

continued

## Stone and coal interests

The rate of mining at the Kota Bangun coal concession held by PT Indo Pancadasa Agrotama ("IPA"), to which the group has made loans, slowed to an average of 22,000 tonnes per month for the first half of 2023, compared with 30,000 tonnes per month for the comparable period in 2022. The production slowdown initially reflected the contractor switching to focus on mining IPA's northern pit, having mined much of the accessible coal in the southern pit. However, falling coal prices then forced IPA to delay further sales and, accordingly, to reduce production to a low level pending an improvement in the market economics.

Although coal in IPA's northern pit contains high calorie thermal coal, by blending that coal with the coking coal found in IPA's southern pit, IPA is able to arrange that most of its coal production falls within the specification for semi-soft coking coal which typically commands a higher price than thermal coal. Drilling has confirmed the availability of a further area within the IPA concession of mineable coal similar in quality to the southern pit coal. Subject to semi-soft coal prices remaining at a level at which continued coal production at IPA is economically viable, it is planned to open a further pit to mine this additional coal when the southern pit becomes mined out.

Arrangements to permit exploitation of the quartz sand in the overburden overlaying IPA's coal continue to progress. Discussions have been initiated with potential customers with encouraging responses and further work is being undertaken to confirm that the only processing of the extracted sand that will be required will be simple washing. As previously reported, agreement in principle has been reached with IPA's coal mining contractor to extend the latter's current coal mining contract with IPA to cover the mining of quartz sand on terms similar to those applicable to the contractor's mining of IPA coal. Commencement of the sand recovery operations remains dependent upon the issue of the requisite licences by the Indonesian authorities and funding of necessary pre-production costs.

Plans for quarrying of the andesite stone concession held by PT Aragon Tambang Pratama ("ATP"), to which the group has also made loans, were finalised early in 2023. A contractor has been appointed to operate the quarry and agreements have been reached with neighbouring companies to use their roads for transporting quarried stone. Wet weather has delayed mobilisation with one of the two stone crushers purchased by ATP stuck for several weeks in deep mud on the road into the quarry. With the recent drier weather, the crusher in question has been released and both crushers are now progressing towards the quarry site, crushing available stone as they move so as to upgrade the access road en route. Quarrying at the concession should commence in earnest in the final quarter of the year and there is understood to be ready demand for stone in the region.

## Environmental, social and governance

In furtherance of the group's commitments to decarbonisation and working towards net-zero emissions by 2050, the group has signed up to the Science Based Targets Initiative ("SBTi") an international, cross-industry framework aimed at promoting corporate adoption and disclosure of independently verified, science-based targets for decarbonisation. Under this framework, the group is currently working on setting draft GHG emissions reduction targets for submission to SBTi for verification by March 2025.

The group's Climate Change Working Group ("CCWG") has established a programme to identify and evaluate all risks and opportunities facing the group as a consequence of climate change and the transition to net-zero GHG emissions. In addition to working with SBTi, the group has started a collaboration with CarbonSpace Limited and the Louis Dreyfus Company to map and verify the group's historical GHG footprint and to monitor and measure emissions and sequestrations using the CarbonSpace satellite based net ecosystem exchange mechanism. The initial results from this collaboration should be available by the end of 2023 and will enable the group to measure its net emissions on a spatial and temporal basis going forward.

The group's conservation department, REA Kon, continues to expand its rewilding and habitat rehabilitation programme, in addition to supplying seedlings of endemic forest fruit and timber tree species to local communities. In the first half of 2023, over 2,000 seedlings of native fruit and timber trees were distributed to local villages or were planted in the group's conservation areas. A further 300 seedlings were also planted in the first phase of a new rehabilitation project being undertaken in the Mesangat wetlands area. This project is being undertaken by REA Kon alongside Yayasan Ulin (the charitable Ironwood Foundation), and local village administrations and communities with the aim of decelerating sedimentation rates within the wetlands and restoring threatened habitats for the critically endangered Siamese crocodile (*Crocodylus siamensis*) and Proboscis monkey (*Nasalis larvatus*) which inhabit the wetland area.

To date in 2023, the required certification and recertification audits for the RSPO, ISCC, ISPO and ISO 14001:2015 schemes have, for the most part, been successfully completed. There remains a small area supplying FFB to COM for which ISCC accreditation is outstanding. This is not material to the group, which currently sells the majority of CPO under the RSPO scheme.

The pilot project with the Abler Nordic (previously Nordic Microfinance Initiative) Climate Smart Agriculture fund to provide smallholder farmers with access to funds for intensifying their oil palm yields and developing alternative revenue streams is being extended to other local villages. The objective is to reduce pressure on the remaining forest areas outside the group's concession areas by intensifying yields and revenues from existing planted areas as well as to improve the traceability of the group's FFB supply chain. 1,657 local smallholders in three local villages have so far received training in best management practices for oil palm to help improve

their yields and FFB quality. In connection with this initiative, 157 local smallholders farming some 589 hectares of oil palm received their RSPO certification on 1 January 2023.

The group's collaboration with PT Plan B continues to focus on farmer education and understanding how to increase crop revenues through improving harvesting and ripeness standards. This is helping smallholder producers to gain a better understanding of the group's revised pricing policy for purchases of third party FFB that was adopted in 2022 and sets a weekly commercial price that offers premia for better crop quality. As a consequence, increasing numbers of local farmers are pressing for inclusion in sustainability certification schemes and oil palm replanting programmes.

Activities under the public-private-community forum (Proyek GESIT) between the group, PT Plan B as the independent delivery partner, the local government and communities are continuing, with a further three villages in 2023 undertaking land use mapping and community lead spatial planning. These surveys have, for the first time, produced community maps setting out the development aspirations for their respective administrative areas. The group is also working with local communities through the village owned enterprises (Badan Usaha Milik Desa) to help the local communities to provide transport for FFB, CPO and other palm products under long term contracts.

The group is aiming to achieve accreditation and certification under the Indonesian Health and Safety Work Management System ("SMK3") by the end of 2023.

In recognition of the group's ongoing 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 again awarded the group a platinum rating in 2023.

## Financing

The group is financed by a combination of debt and equity (comprising ordinary and preference share capital). Total equity less non-controlling interests at 30 June 2023 amounted to \$219.8 million (31 December 2022: \$233.9 million). Non-controlling interests at 30 June 2023 amounted to \$21.9 million (31 December 2022: \$23.6 million).

The dollar notes as at 31 December 2022 comprised \$27.0 million nominal of 7.5 per cent dollar notes 2026 net of \$8.6 million nominal of dollar notes held in treasury. On 28 June 2023 the notes held in treasury were sold at 95 per cent of their par value.

REA Kaltim and SYB have working capital facilities with Bank Mandiri of \$3.0 million which are fully drawn. In the period to 30 June 2023 REA Kaltim, SYB and KMS also drew short term revolving borrowings secured against existing deposits with Bank Mandiri totalling \$6.3 million. These borrowings have an interest rate of 1 per cent above the deposit interest rate applicable to the funds held. The interest rate on these facilities is currently 3 per cent.

Following these developments, group indebtedness at 30 June 2023 totalled \$204.2 million against \$188.6 million at 31 December 2022. Against this indebtedness, the group held cash and cash equivalents of \$17.5 million (31 December 2022: \$21.9 million). As a result, the group net indebtedness at 30 June 2023 of \$186.7 million showed an increase of \$20.0 million from the group net indebtedness at 31 December 2022 of \$166.7 million. Of this increase, \$7.7 million reflected increases in sterling and rupiah indebtedness arising from the appreciation of sterling and the rupiah against the dollar.

The composition of the net indebtedness at 30 June 2023 was as follows:

	\$'m
Dollar notes (\$27.0 million nominal)*	26.5
Sterling notes (£30.9 million nominal)**	40.4
Loans from non-controlling shareholder	15.5
Indonesian term bank loans*	112.5
Drawings under short term facilities	9.3
	204.2
Cash and cash equivalents	(17.5)
Net indebtedness	186.7

\* Net of issue costs

\*\* Net of issue costs plus \$1.3 million present value of premium on sale

Operating cash flows before movements in working capital amounted to \$16.8 million. An addition to working capital of \$2.3 million, and taxes and interest paid totalling \$13.1 million, resulted in net cash from operating activities of \$1.4 million. Utilisation of advance purchases of fertiliser resulted in a reduction in fertiliser inventory but this was offset by an increase in agricultural produce inventory.

Capital expenditure during the period (net of proceeds from the sale of PPE) amounted to \$6.9 million, which, along with the proceeds from the sale of KKP of \$1.7 million and the net investment of \$2.2 million in the stone and coal interests, resulted in a cash outflow on investing activities of \$6.5 million after crediting interest received of \$0.9 million. The preference dividend paid of \$4.1 million, net repayment of bank borrowings and leases of \$2.9 million, and the cash divested as part of the sale of KKP were covered by the proceeds from the sale of the dollar notes held in treasury of \$8.1 million. Overall, there was a reduction of \$5.2 million in cash and cash equivalents in the period.

# Interim management report

continued

## Outlook

Agricultural production for the full year should reflect, as is usual, the weighting of crops to the second half, albeit that bunch counts currently suggest a delay to the typical peak crop period. Measures to target efficiencies in the field and logistics should contribute to improving productivity and extraction rates.

The medium term outlook for the CPO market remains favourable with maturing plantations and limited availability of new land for development supporting a tightening of the supply-demand balance.

Group cash flows have been impacted by lower selling prices in the first half and the weakness of coal prices has delayed the expected recovery of loans made by the group to the stone and coal interests. To mitigate the adverse impact, capital expenditure, in particular as regards extension planting at PU, has been scaled back. The directors remain conscious of the need to reduce the group's net indebtedness, while continuing to pay preference dividends, and are currently exploring options, including possible divestment of certain assets, with this intention.

Going forward, the outlook for the group's agricultural operations remains positive with increasing FFB production, gradual replanting of the group's mature areas and expansion of PU, combined with the ongoing benefits of recent measures to enhance efficiencies and initiatives to secure higher selling prices for certified sustainable CPO. This, together with future loan recoveries from the group's interests in stone and coal, as well as exploitation of quartz sand in connection with the coal mining interest, should significantly improve the financial resilience of the group.

Approved by the board on 20 September 2023 and signed on its behalf by

**DAVID J BLACKETT**

Chairman

## Principal risks and uncertainties

The principal risks and uncertainties, as well as mitigating and other relevant considerations, affecting the business activities of the group as at the date of publication of the 2022 annual report were set out on pages 40 to 46 of that report, under the heading Principal risks and uncertainties. A copy of the report may be downloaded from [www.rea.co.uk/investors/financial-reports](http://www.rea.co.uk/investors/financial-reports). Such principal risks and uncertainties in summary comprise:

<b>Agricultural operations</b>	
Climatic factors	Loss of crop and adverse logistical impacts
Cultivation risks	Impact of pests and diseases
Other operational factors	Logistical disruptions to the production cycle, including transportation and input shortages or cost increases
Produce prices	Lower realisations from sales of CPO and CPKO
Expansion	Delays in securing land or funding for extension planting
Climate change	Reduced production due to change in levels and regularity of rainfall and sunlight hours
ESG practices	Failure to meet expected standards
Community relations	Disruptions arising from issues with local stakeholders
<b>Stone and coal interests</b>	
Prices and operational factors	Failure by external contractors to achieve agreed targets, and failure to recover fully loans to the stone and coal interests
ESG practices	Failure to meet expected standards
Climate change	High levels of rainfall disrupting operations
<b>General</b>	
IT Security	Increasing prevalence and sophistication of cyber attacks leading to theft
Currency	Adverse exchange movements between sterling or the rupiah against the dollar
Cost inflation	Increased costs as a result of worldwide economic factors or shortages of required inputs such as fertiliser and diesel arising from the war in Ukraine
Funding	Inability to meet liabilities as they fall due
Counterparty risk	Default by suppliers, customers or financial institutions
Regulatory and country exposure	Failure to meet or comply with expected standards or applicable regulations; adverse political, economic, or legislative changes in Indonesia
Miscellaneous relationships	Disruption of operations and consequent loss of revenues as a result of disputes with local stakeholders

Material risks, related policies and the group's successes and failures with respect to ESG matters, including climate change, and the measures taken in response to any failures are described in more detail under ESG in the 2022 annual report and at [www.rea.co.uk/sustainability](http://www.rea.co.uk/sustainability).

Where risks are reasonably capable of mitigation, the group seeks to mitigate them. Beyond that, the directors endeavour to manage the group's finances on a basis that leaves the group with some capacity to withstand adverse impacts from both identified and unidentified areas of risk, but such management cannot provide insurance against every possible eventuality.

At the date of the annual report, risks assessed by the directors as being of particular significance were those as detailed under Agricultural operations (Produce prices, Cost inflation, Climatic factors and Other operational factors). In addition, the directors identified IT security as a new, though not particularly significant, risk.

The directors' assessment, as respects produce prices and funding, reflects the key importance of those risks in relation to the matters considered in the "Viability statement" in the "Directors' report" on pages 48 and 49 of the annual report and, as respects climatic and other factors, the extent of the negative impact that could result from adverse incidence of such risks.

The directors consider that the principal risks and uncertainties for the second six months of 2023 continue to be those set out in the 2022 annual report and as summarised above.

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## Going concern

In the statements regarding viability and going concern on pages 48 and 49 of the 2022 annual report, the directors set out considerations with respect to the group's capital structure and their assessment of liquidity and financing adequacy.

The group's net indebtedness increased by \$20.0 million over the six months to 30 June 2023 but \$7.7 million of this increase reflected increases in sterling and rupiah indebtedness arising from appreciation of sterling and the rupiah against the dollar. Both sterling and the rupiah have weakened against the dollar since 30 June 2023 and, if such weakness persists, there will be a significant reversal of the \$7.7 million in the second half of 2023.

The total borrowings repayable by the group in the period to 30 June 2024 amount to the equivalent of \$26.2 million. The group expects that such repayment will be offset in part by new borrowings against bank facilities currently under negotiation to finance replanting and extension planting expenditure. With prices remaining steady, higher crops and ongoing upgrading of infrastructure, stronger cash generation can be expected from the agricultural operations, and the group believes that cash available should be sufficient to meet the debt repayments falling due in the period to 30 June 2024.

Accordingly, and based on the foregoing, the directors have a reasonable expectation that the company will be able to continue its operations and meet its liabilities as they fall due over the period of twelve months from the date of approval of the accompanying condensed consolidated financial statements and they continue to adopt the going concern basis of accounting in preparing these statements.

## Directors' responsibilities

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

The directors confirm that to the best of their knowledge:

- the accompanying set of condensed consolidated financial statements has been prepared in accordance with UK adopted IAS 34 "Interim Financial Reporting";
- the Interim management report and Principal risks and uncertainties sections of this half yearly report include a fair review of the information required by rule 4.2.7R of the Disclosure Guidance and Transparency Rules ("DGTR") of the FCA, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- note 22 in the notes to the condensed consolidated financial statements includes a fair review of the information required by rule 4.2.8R of the DGTRs of the FCA, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period, and any changes in the related party transactions described in the 2022 annual report that could do so.

The current directors of the company are as listed on page 47 of the 2022 annual report.

Approved by the board on 20 September 2023

**DAVID J BLACKETT**

Chairman

# Consolidated income statement

for the six months ended 30 June 2023

	Note	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
<b>Revenue</b>	2	<b>73,622</b>	<b>108,622</b>	<b>208,783</b>
Net loss arising from changes in fair value of biological assets	4	(438)	(1,414)	(245)
Cost of sales		(61,258)	(79,894)	(147,804)
<b>Gross profit</b>		<b>11,926</b>	<b>27,314</b>	<b>60,734</b>
Distribution costs		(471)	(475)	(2,014)
Administrative expenses	5	(10,242)	(9,437)	(17,319)
<b>Operating profit</b>		<b>1,213</b>	<b>17,402</b>	<b>41,401</b>
Investment revenues	6	878	4,192	5,297
Other losses and gains	7	(8,328)	7,240	14,661
Finance costs	8	(8,957)	(9,652)	(19,313)
<b>(Loss) / profit before tax</b>		<b>(15,194)</b>	<b>19,182</b>	<b>42,046</b>
Tax	9	2,628	(4,984)	(9,160)
<b>(Loss) / profit for the period</b>		<b>(12,566)</b>	<b>14,198</b>	<b>32,886</b>
Attributable to:				
Equity shareholders		(10,643)	11,854	27,777
Non-controlling interests		(1,923)	2,344	5,109
		<b>(12,566)</b>	<b>14,198</b>	<b>32,886</b>
<b>(Loss) / profit per 25p ordinary share (US cents)</b>				
Basic	11	(33.6)	17.9	43.1
Diluted	11	(33.6)	16.4	39.5

All operations in all periods are continuing.

# Consolidated statement of comprehensive income

for the six months ended 30 June 2023

		6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
	Note			
<b>(Loss) / profit for the period</b>		<b>(12,566)</b>	<b>14,198</b>	<b>32,886</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified to profit or loss:				
Actuarial gains		–	–	374
Deferred tax on actuarial gains		–	–	(83)
		–	–	291
Items that may be reclassified to profit or loss:				
Reclassification of foreign exchange differences on disposal of group company	7	673	–	–
		673	–	–
<b>Total comprehensive (loss) / income for the period</b>		<b>(11,893)</b>	<b>14,198</b>	<b>33,177</b>
Attributable to:				
Equity shareholders		(9,970)	11,854	28,027
Non-controlling interests		(1,923)	2,344	5,150
		<b>(11,893)</b>	<b>14,198</b>	<b>33,177</b>

# Consolidated balance sheet

as at 30 June 2023

	Note	30 June 2023 \$'000	30 June 2022* \$'000	31 December 2022 \$'000
<b>Non-current assets</b>				
Goodwill		12,578	12,578	12,578
Intangible assets	12	1,666	334	1,836
Property, plant and equipment	13	345,058	356,296	354,028
Land	14	45,826	44,110	44,967
Financial assets	16	58,059	63,283	55,003
Deferred tax assets		3,614	3,035	3,000
Non-current receivables		5,008	5,297	5,007
Total non-current assets		471,809	484,933	476,419
<b>Current assets</b>				
Inventories		28,042	25,016	27,428
Biological assets		3,471	2,740	3,909
Trade and other receivables		34,995	26,402	31,440
Current tax asset		1,558	368	188
Cash and cash equivalents		17,528	19,009	21,914
Total current assets		85,594	73,535	84,879
<b>Total assets</b>		<b>557,403</b>	<b>558,468</b>	<b>561,298</b>
<b>Current liabilities</b>				
Trade and other payables		(39,865)	(32,993)	(40,454)
Current tax liabilities		(1,803)	(4,588)	(1,462)
Bank loans	18	(23,635)	(16,400)	(16,390)
Other loans and payables		(7,722)	(6,938)	(5,712)
Total current liabilities		(73,025)	(60,919)	(64,018)
<b>Non-current liabilities</b>				
Trade and other payables		(9,292)	(1,681)	(9,757)
Bank loans	18	(98,139)	(113,790)	(100,730)
Sterling notes		(40,443)	(38,279)	(38,162)
Dollar notes	19	(26,491)	(18,312)	(17,842)
Deferred tax liabilities		(40,290)	(43,391)	(44,454)
Other loans and payables		(28,065)	(30,690)	(28,805)
Total non-current liabilities		(242,720)	(246,143)	(239,750)
<b>Total liabilities</b>		<b>(315,745)</b>	<b>(307,062)</b>	<b>(303,768)</b>
<b>Net assets</b>		<b>241,658</b>	<b>251,406</b>	<b>257,530</b>
<b>Equity</b>				
Share capital		133,590	133,590	133,590
Share premium account		47,374	47,374	47,374
Translation reserve		(24,428)	(25,101)	(25,101)
Retained earnings		63,270	74,429	78,042
		219,806	230,292	233,905
Non-controlling interests		21,852	21,114	23,625
<b>Total equity</b>		<b>241,658</b>	<b>251,406</b>	<b>257,530</b>

\* June 2022 restated in line with note 37 to the consolidated financial statements in the 2022 annual report

# Consolidated statement of changes in equity

for the six months ended 30 June 2023

	Share capital \$'000	Share premium \$'000	Translation reserve \$'000	Retained earnings \$'000	Subtotal \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 January 2022*	133,586	47,358	(25,101)	66,545	222,388	20,270	242,658
Profit for the period	–	–	–	11,854	11,854	2,344	14,198
Exercise of warrants	4	16	–	–	20	–	20
Dividends to preference shareholders	–	–	–	(3,970)	(3,970)	–	(3,970)
Dividends to non-controlling interests	–	–	–	–	–	(1,500)	(1,500)
At 30 June 2022	133,590	47,374	(25,101)	74,429	230,292	21,114	251,406
Profit for the period	–	–	–	15,923	15,923	2,765	18,688
Amendment to non-controlling interest	–	–	–	–	–	(295)	(295)
Other comprehensive income for the period	–	–	–	250	250	41	291
Dividends to preference shareholders	–	–	–	(12,560)	(12,560)	–	(12,560)
At 31 December 2022	133,590	47,374	(25,101)	78,042	233,905	23,625	257,530
Loss for the period	–	–	–	(10,643)	(10,643)	(1,923)	(12,566)
Other comprehensive income for the period	–	–	673	–	673	–	673
Equity increase from non-controlling shareholder	–	–	–	–	–	150	150
Dividends to preference shareholders	–	–	–	(4,129)	(4,129)	–	(4,129)
<b>At 30 June 2023</b>	<b>133,590</b>	<b>47,374</b>	<b>(24,428)</b>	<b>63,270</b>	<b>219,806</b>	<b>21,852</b>	<b>241,658</b>

\* 1 January 2022 restated in line with note 37 to the consolidated financial statements in the 2022 annual report

# Consolidated cash flow statement

for the six months ended 30 June 2023

		6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
	Note			
<b>Net cash from / (used in) operating activities</b>	20	<b>1,394</b>	<b>(16,286)</b>	<b>16,699</b>
<b>Investing activities</b>				
Interest received		878	954	2,058
Proceeds on disposal of PPE		1,046	653	1,517
Purchases of PPE		(7,059)	(5,053)	(19,095)
Expenditure on land		(859)	(488)	(1,327)
(Investment in) / repayment from stone and coal interests		(2,204)	11,658	17,018
Proceeds on disposal of group company		1,695	–	–
Net cash (used in) / from investing activities		(6,503)	7,724	171
<b>Financing activities</b>				
Preference dividends paid	10	(4,129)	(3,970)	(16,530)
Dividend to non-controlling interests		–	(1,500)	(1,500)
Repayment of bank borrowings		(7,107)	(11,292)	(39,243)
New bank borrowings drawn		5,630	8,225	30,400
Purchase of dollar notes held in treasury		–	(8,570)	(8,570)
Repayment of borrowings from related party		–	–	(51)
Repayment of borrowings from non-controlling shareholder		–	–	(697)
New equity from non-controlling interests		150	–	–
Cash divested on disposal of group company		(1,317)	–	–
Proceeds of sale of dollar notes held in treasury		8,142	–	–
Cost of extension of redemption date of dollar notes		–	(153)	(252)
Proceeds of issue of ordinary shares		–	20	20
Repayment of lease liabilities		(1,445)	(930)	(2,670)
Net cash used in financing activities		(76)	(18,170)	(39,093)
<b>Cash and cash equivalents</b>				
Net decrease in cash and cash equivalents		(5,185)	(26,732)	(22,223)
Cash and cash equivalents at beginning of period		21,914	46,892	46,892
Effect of exchange rate changes		799	(1,151)	(2,755)
<b>Cash and cash equivalents at end of period</b>		<b>17,528</b>	<b>19,009</b>	<b>21,914</b>

# Notes to the condensed consolidated financial statements

## 1. Basis of accounting

The condensed consolidated financial statements for the six months ended 30 June 2023 comprise the unaudited financial statements for the six months ended 30 June 2023 and 30 June 2022, neither of which has been reviewed by the company's auditor, together with audited financial information for the year ended 31 December 2022.

The information shown for the year ended 31 December 2022 does not constitute statutory accounts within the meaning of section 434 of the CA 2006, and is an abridged version of R.E.A. Holdings plc's published Group financial statements for that year which have been filed with the Registrar of Companies. The auditor's report on those statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statements under section 498(2) or (3) of the CA 2006.

The annual financial statements of the group will be prepared in accordance with UK adopted IFRS. The condensed consolidated financial statements included in this half yearly report have been prepared in accordance with UK adopted IAS 34 "Interim Financial Reporting".

### Going concern

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

### Adoption of new and revised standards

New standards and amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period beginning on 1 January 2023 have no impact on the disclosures or on the amounts reported in these condensed consolidated financial statements.

### Accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those set out in the group's annual report for 2022. The condensed consolidated financial statements for the six months ended 30 June 2023 were approved by the board of directors on 20 September 2023.

## 2. Revenue

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
Sales of goods	72,923	107,494	206,611
Revenue from management services	579	818	1,520
Revenue from stone and coal interest	120	310	652
	73,622	108,622	208,783

Revenue from stone and coal interest is marketing commission earned by the group's subsidiary KCCRI on sales of stone and coal by ATP and IPA.

## 3. Segment information

The group continues to operate in two segments: the cultivation of oil palms and stone and coal interests. In the period ended 30 June 2023 the latter did not meet the quantitative thresholds set out in IFRS 8 "Operating segments" and, accordingly, no analyses are provided by business segment.

#### 4. Changes in fair value of biological assets

This represents the change in the fair value of growing produce (FFB) on oil trees arising on the revaluation of the oil content of such produce at the balance sheet date and determined using a formulaic methodology.

In previous years the net gain or loss arising on the movement in the fair value of agricultural produce inventory was included with this figure in the Consolidated income statement. To align with other palm oil companies the fair value movement has now been included in cost of sales with other agricultural produce inventory movements.

The amounts reclassified to cost of sales were \$2.0 million in the year to 31 December 2022 and \$3.5 million in the six months to 30 June 2022.

#### 5. (Loss) / profit before tax

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
<b>Administrative expenses</b>			
Loss on disposal of PPE	892	124	218
Indonesian operations	8,344	7,459	14,221
Head office	1,842	1,939	3,428
	11,078	9,522	17,867
Amount included as additions to PPE	(836)	(85)	(548)
	10,242	9,437	17,319
<b>Earnings before interest, tax, depreciation and amortisation</b>			
Operating profit	1,213	17,402	41,401
Depreciation and amortisation	14,261	13,823	27,654
	15,474	31,225	69,055

#### 6. Investment revenues

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
Interest on bank deposits	114	282	1,411
Other interest income	764	671	647
Reversal of provision in respect of interest on stone and coal loans	—	3,239	3,239
	878	4,192	5,297

Investment revenues include \$1.8 million interest receivable in respect of stone and coal loans net of a provision of \$1.3 million (31 December 2022: interest receivable of \$2.6 million net of a provision of \$1.7 million, 30 June 2022: interest receivable of \$1.4 million net of a provision of \$0.7 million).

The provision of \$3.2 million reversed in 2022 was in respect of cumulative interest payable by a coal concession holding company which commenced generating revenue and repaid substantially all of its loan to the group.

## 7. Other losses and gains

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
Change in value of sterling notes arising from exchange fluctuations	2,182	(4,375)	(4,553)
Change in value of other monetary assets and liabilities arising from exchange fluctuations	4,998	(2,865)	(9,613)
Loss on reorganisation of interest in subsidiary	719	—	—
Loss on sale of dollar notes held in treasury	429	—	—
Gain arising on the extension of the redemption date of the dollar notes	—	—	(495)
	<b>8,328</b>	<b>(7,240)</b>	<b>(14,661)</b>

The loss on reorganisation of interest in subsidiary arose from the reorganisation of the ownership of the company's subsidiary, CDM. Prior to the reorganisation, the latter was owned as to 95 per cent by REA Kaltim and 5 per cent by KKP, another group company. Pursuant to the reorganisation, the 5 per cent shareholding owned by KKP was transferred to REA Kaltim and KKP was sold for a consideration of \$1.7 million. The resultant loss substantially comprised a reclassification of foreign exchange differences of \$0.7 million that had previously been accumulated in the translation reserve.

## 8. Finance costs

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
Interest on bank loans and overdrafts	4,938	5,747	10,814
Interest on dollar notes	693	1,014	1,707
Interest on sterling notes	1,716	1,636	3,263
Interest on other loans	622	368	851
Interest on lease liabilities	289	73	377
Other finance charges	849	866	2,527
	<b>9,107</b>	<b>9,704</b>	<b>19,539</b>
Amount included as additions to PPE	(150)	(52)	(226)
	<b>8,957</b>	<b>9,652</b>	<b>19,313</b>

Amounts included as additions to PPE arose on borrowings applicable to the Indonesian operations and reflected a capitalisation rate of 2.0 per cent (2022: 2.0 per cent); there is no directly related tax relief.

## 9. Tax

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
Current tax:			
UK corporation tax	–	–	78
Overseas withholding tax	537	1,155	1,635
Foreign tax	1,362	4,634	7,172
Foreign tax – prior year	251	68	133
Total current tax	2,150	5,857	9,018
Deferred tax:			
Current year (credit) / charge	(4,778)	156	3,128
Prior year	–	(1,029)	(2,986)
Total deferred tax (credit) / charge	(4,778)	(873)	142
Total tax (credit) / charge	(2,628)	4,984	9,160

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 (2022: 22 per cent) and for the United Kingdom, the taxation provision reflects a corporation tax rate of 19 per cent from 1 January to 31 March and 25 per cent from 1 April to 30 June (2022: 19 per cent) and a deferred tax rate of 25 per cent (2022: 25 per cent).

## 10. Dividends

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
Amounts recognised as distributions to equity holders:			
Dividends on 9 per cent cumulative preference shares	4,129	3,970	16,530

The fixed semi-annual dividend on the company's preference shares that fell due on 30 June 2023 was duly paid.

As at 30 June 2023 there remain outstanding arrears of preference dividend in the amount of 7p per share.

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.

## 11. (Loss) / profit per share

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
(Loss) / profit attributable to equity shareholders	(10,643)	11,854	27,777
Preference dividends paid relating to current year	(4,129)	(3,970)	(8,826)
(Loss) / profit for the purpose of calculating (loss) / profit per share*	(14,772)	7,884	18,951
* Being net (loss) / profit attributable to ordinary shareholders			
	'000	'000	'000
Weighted average number of ordinary shares for the purpose of:			
Basic (loss) / profit per share	43,964	43,955	43,959
Diluted (loss) / profit per share	43,964	47,953	47,957

## 12. Intangible assets: development expenditure

	30 June 2023 \$'000	30 June 2022 \$'000	31 December 2022 \$'000
Beginning of period	6,993	5,453	5,453
Additions	11	–	273
Reclassifications and adjustments	–	–	1,267
End of period	7,004	5,453	6,993
Amortisation:			
Beginning of period	5,157	5,092	5,092
Charge for period	181	27	65
End of period	5,338	5,119	5,157
Carrying amount:			
End of period	1,666	334	1,836
Beginning of period	1,836	361	361

Development expenditure on computer software that is not integral to an item of PPE is recognised separately as an intangible asset.

### 13. 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 2022	175,287	250,408	125,454	15,433	566,582
Additions	820	852	3,020	361	5,053
Reclassifications and adjustments	–	336	499	(835)	–
Disposals	(480)	(729)	(198)	–	(1,407)
At 30 June 2022	175,627	250,867	128,775	14,959	570,228
Additions	1,547	2,860	6,820	2,542	13,769
Reclassifications and adjustments	–	2,093	972	(4,333)	(1,268)
Disposals	(627)	(527)	(6,390)	–	(7,544)
At 31 December 2022	176,547	255,293	130,177	13,168	575,185
Additions	1,518	1,715	1,432	2,383	7,048
Reclassifications and adjustments	–	2,103	55	(2,158)	–
Disposals	(1,219)	(1,367)	(490)	–	(3,076)
At 30 June 2023	176,846	257,744	131,174	13,393	579,157
Accumulated depreciation:					
At 1 January 2022	66,000	59,606	75,178	–	200,784
Charge for period	5,417	3,732	4,647	–	13,796
Disposals	(453)	(88)	(107)	–	(648)
At 30 June 2022	70,964	63,250	79,718	–	213,932
Charge for period	4,720	3,876	5,197	–	13,793
Disposals	327	(525)	(6,370)	–	(6,568)
At 31 December 2022	76,011	66,601	78,545	–	221,157
Charge for period	5,054	4,030	4,996	–	14,080
Disposals	(441)	(276)	(421)	–	(1,138)
At 30 June 2023	80,624	70,355	83,120	–	234,099
Carrying amount:					
At 30 June 2023	96,222	187,389	48,054	13,393	345,058
At 31 December 2022	100,536	188,692	51,632	13,168	354,028
At 30 June 2022	104,663	187,617	49,057	14,959	356,296

## 14. Land

	30 June 2023 \$'000	30 June 2022 \$'000	31 December 2022 \$'000
Cost:			
Beginning of period	48,648	47,962	47,962
Additions	859	488	1,327
Disposals	–	(18)	(641)
End of period	49,507	48,432	48,648
Accumulated amortisation:			
Beginning of period	3,681	4,322	4,322
Disposals	–	–	(641)
End of period	3,681	4,322	3,681
Carrying amount:			
End of period	45,826	44,110	44,967
Beginning of period	44,967	43,640	43,640

## 15. Contractual commitments

At the balance sheet date, the group had entered into contractual commitments for the acquisition of PPE of \$13.4 million (31 December 2022: PPE of \$7.3 million, 30 June 2022: PPE of \$11.5 million and fertiliser of \$3.4 million).

## 16. Financial assets

	30 June 2023 \$'000	30 June 2022 \$'000	31 December 2022 \$'000
Stone interest	33,708	28,807	30,354
Coal interests	12,374	20,431	13,524
Provision against loan to coal companies	(2,550)	(2,550)	(2,550)
	43,532	46,688	41,328
Plasma advances	14,527	16,595	13,675
	14,527	16,595	13,675
Total financial assets	58,059	63,283	55,003

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, at original cost, 95 per cent ownership of two Indonesian companies that directly and through an Indonesian subsidiary of one of those companies own rights in respect of certain stone and coal concessions in East Kalimantan Indonesia. Under current regulations such rights cannot be exercised. For now, 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 holding company in respect of the amounts owed to the group by the two coal concession holding companies.

Included within the stone and coal interest balances is cumulative interest receivable of \$10.3 million net of a provision of \$10.3 million (31 December 2022: \$9.0 million cumulative interest receivable and provision, 30 June 2022: \$10.5 million cumulative interest and net provision of \$7.2 million). This interest has been provided against due to the creditworthiness of the stone and coal interests, two out of three of which are not yet in production, and as such have no operational cashflows from which to settle interest in the next six months. A provision of \$3.2 million in respect of the coal concession holding company which is generating revenue was reversed in 2022 and included within Investment revenue in the consolidated income statement.

Plasma advances repayable within one year are included in Trade and other receivables in Current assets. Total plasma advances at 30 June 2023 amounted to \$17.6 million (31 December 2022: \$16.3 million; 30 June 2022: \$18.7 million).

## 17. Fair values of financial instruments

The table below provides an analysis of the book values and fair values of financial instruments, excluding receivables and trade payables and Indonesian stone and coal interests, as at the balance sheet date. Cash and deposits, dollar notes and sterling notes are classified as level 1 in the fair value hierarchy prescribed by IFRS 13 "Fair value measurement" (level 1 includes instruments where inputs to the fair value measurements are quoted prices in active markets). All other financial instruments are classified as level 3 in the fair value hierarchy (level 3 includes instruments which have no observable market data to provide inputs to the fair value measurements). No reclassifications between levels in the fair value hierarchy were made during 2023 (2022: none).

	30 June 2023 Book value \$'000	30 June 2023 Fair value \$'000	30 June 2022 Book value \$'000	30 June 2022 Fair value \$'000	31 December 2022 Book value \$'000	31 December 2022 Fair value \$'000
Cash and deposits*	17,528	17,528	19,009	19,009	21,914	21,914
Bank debt within one year*	(23,635)	(23,635)	(16,400)	(16,400)	(16,390)	(16,390)
Bank debt after more than one year*	(98,139)	(98,139)	(113,790)	(113,790)	(100,730)	(100,730)
Loan from non-controlling shareholder within one year**	(1,394)	(1,394)	(1,858)	(1,858)	(1,394)	(1,394)
Loan from non-controlling shareholder after more than one year**	(3,484)	(3,484)	(3,717)	(3,717)	(3,484)	(3,484)
Loan from non-controlling shareholder after more than one year*	(10,641)	(10,641)	(10,641)	(10,641)	(10,641)	(10,641)
Dollar notes after one year – repayable 2026**	(26,491)	(25,683)	(18,312)	(18,465)	(17,842)	(18,465)
Sterling notes after one year – repayable 2025**	(40,443)	(37,358)	(38,279)	(37,770)	(38,162)	(35,335)
Net debt	(186,699)	(182,806)	(183,988)	(183,632)	(166,729)	(164,525)

\* Bearing interest at floating rates

\*\* Bearing interest at fixed rates

The fair values of cash and deposits, loans from non-controlling shareholder 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.

## 18. Bank loans

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
Bank loans	121,774	130,190	117,120
The bank loans are repayable as follows:			
On demand or within one year	23,635	16,400	16,390
Between one and two years	16,065	14,518	14,210
Between two and five years	58,455	55,219	53,779
After five years	23,619	44,053	32,741
	121,774	130,190	117,120
Amount due for settlement within one year	23,635	16,400	16,390
Amount due for settlement after one year	98,139	113,790	100,730
	121,774	130,190	117,120

## 18. Bank loans – continued

All bank loans are denominated in rupiah and are net of unamortised expenses of \$4.5 million (31 December 2022: \$4.8 million, 30 June 2022: \$5.9 million). The weighted average interest rate in 2023 was 7.8 per cent (2022: 8.5 per cent). The bank loans are secured on certain land titles, property, plant and equipment, biological assets and cash assets held by REA Kaltim, KMS and SYB and are the subject of an unsecured guarantee by the company. The banks are entitled to have recourse to their security on usual banking terms.

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

At the balance sheet date, the group had undrawn rupiah denominated facilities of nil (31 December 2022: nil, 30 June 2022: nil).

## 19. Dollar notes

	30 June 2023 \$'000	30 June 2022 \$'000	31 December 2022 \$'000
Dollar notes – repayable 2026	26,491	26,882	26,412
Dollar notes held in treasury	–	(8,570)	(8,570)
Dollar notes	26,491	18,312	17,842

The dollar notes comprise \$27.0 million nominal of 7.5 per cent dollar notes 2026 (31 December and 30 June 2022: \$27.0 million nominal 7.5 percent dollar notes 2026) and are stated net of the unamortised balance of the note issuance costs.

On 3 March 2022 the repayment date for the dollar notes was extended from 30 June 2022 to 30 June 2026. In consideration of the noteholders sanctioning the extension of the redemption date, the company paid each noteholder a consent fee equal to 0.25 per cent of the nominal amount of the dollar notes held by such holder. In conjunction with the proposal to extend the redemption date for the dollar notes, the company put in place arrangements whereunder any noteholder who wished to realise their holding of dollar notes by the previous redemption date of 30 June 2022 was offered the opportunity so to do (the "sale facility").

Holders of \$14.8 million nominal dollar notes elected to take advantage of the sale facility. \$6.0 million nominal of such dollar notes were resold and REAS acquired the unsold balance of \$8.8 million nominal of dollar notes. A further \$248,000 nominal of dollar notes was then resold at par for settlement on 30 June 2022. Accordingly, the total net amount of dollar notes purchased from divesting noteholders and held by REAS at 31 December 2022 was \$8.6 million.

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

On 28 June 2023 the dollar notes held by REAS were sold for delivery on 1 July to an existing noteholder for 95 per cent of the par value of the notes.

## 20. Reconciliation of operating profit to operating cash flows

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
Operating profit	1,213	17,402	41,401
Amortisation of intangible assets	181	27	65
Depreciation of PPE	14,080	13,796	27,589
Decrease in fair value of growing produce	438	1,414	245
Loss on disposal of PPE	892	124	218
Operating cash flows before movements in working capital	16,804	32,763	69,518
Decrease / (increase) in inventories (excluding movement in fair value of growing produce)	271	(7,526)	(10,412)
Increase in receivables	(609)	(10,888)	(11,871)
(Decrease) / increase in payables	(299)	(16,483)	2,674
Exchange translation differences	(1,707)	(542)	(1,627)
Cash generated by / (contributed to) operations	14,460	(2,676)	48,282
Taxes paid	(5,213)	(5,124)	(14,372)
Interest paid*	(7,853)	(8,486)	(17,211)
Net cash from / (used in) operating activities	1,394	(16,286)	16,699

\* Of which \$289,000 is in respect of lease liabilities (31 December 2022: \$377,000, 30 June 2022: \$73,000)

## 21. Movements in net borrowings

	6 months to 30 June 2023 \$'000	6 months to 30 June 2022 \$'000	Year to 31 December 2022 \$'000
Change in net borrowings resulting from cash flows:			
Decrease in cash and cash equivalents, after exchange rate effects	(4,386)	(27,883)	(24,978)
Net decrease in bank borrowings	1,477	3,067	8,843
Dollar notes held in treasury	(8,570)	8,570	8,570
Decrease in borrowings from non-controlling shareholder	–	–	697
Net decrease in related party borrowings	–	–	51
	(11,479)	(16,246)	(6,817)
Cost of extension of redemption date of dollar notes	–	153	252
Gain on extension of redemption date of dollar notes	–	–	495
Amortisation of sterling note issue expenses and premium	(99)	(121)	(182)
Amortisation of dollar note issue expenses	(76)	(50)	(174)
Amortisation of bank loan expenses	(637)	(922)	(1,369)
	(12,291)	(17,186)	(7,795)
Currency translation differences	(7,679)	8,866	16,734
Net borrowings at beginning of year	(166,729)	(175,668)	(175,668)
Net borrowings at end of year	(186,699)	(183,988)	(166,729)

# Notes to the condensed consolidated financial statements

continued

## 22. 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.

There have been no related party transactions in the period that require disclosure. During 2022, R.E.A. Trading plc ("REAT"), a related party, made an unsecured loan to the company on commercial terms. REAT is owned by Richard Robinow (a director of the company) and his brother who, with members of their family, also own Emba Holdings Limited, a substantial shareholder in the company. The maximum amount loaned was \$0.5 million and total interest paid during 2022 was \$29,000. This disclosure is also made in compliance with the requirements of Listing Rule 9.8.4(10).

## 23. Rates of exchange

	30 June 2023		30 June 2022		31 December 2022	
	Closing	Average	Closing	Average	Closing	Average
Indonesian rupiah to US dollar	15,026	15,113	14,848	14,485	15,731	14,917
US dollar to pounds sterling	1.2745	1.2348	1.2121	1.2860	1.2056	1.2301

## 24. Events after the reporting period

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

## 25. Cautionary statement

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



# Glossary

<b>AGM</b>	Annual general meeting
<b>APT</b>	PT Ade Putra Tanrajeng
<b>ATP</b>	PT Aragon Tambang Pratama
<b>Bank BPD</b>	Bank Pembangunan Daerah Kalimantan Timur
<b>Bank Mandiri</b>	PT Bank Mandiri Tbk
<b>BOD</b>	Biological oxygen demand
<b>CA 2006</b>	The Companies Act 2006
<b>CCWG</b>	Climate change working group
<b>CDM</b>	PT Cipta Davia Mandiri
<b>CGU</b>	Cash generating unit
<b>CIF</b>	Cost, Insurance and Freight
<b>COD</b>	Chemical oxygen demand
<b>Code</b>	UK Corporate Governance Code 2018
<b>COM</b>	Cakra oil mill
<b>CPKO</b>	Crude palm kernel oil
<b>CPO</b>	Crude palm oil
<b>CWE</b>	Chandra Widya Edukasi, a specialist palm oil polytechnic
<b>DEI</b>	Diversity, equality and inclusion
<b>DGTR</b>	Disclosure Guidance and Transparency Rules
<b>Dollar notes</b>	7.5 per cent dollar notes 2026
<b>Dollars, \$</b>	The lawful currency of the United States of America
<b>DSN</b>	PT Dharma Satya Nusantara Tbk
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EFB</b>	Empty fruit bunches
<b>Emba</b>	Emba Holdings Limited
<b>ESG</b>	Environmental, social and governance
<b>EU RED</b>	European Union Renewable Energy Directive
<b>FCA</b>	Financial Conduct Authority
<b>FFB</b>	Fresh fruit bunches

<b>FOB</b>	Free On Board
<b>FPIC</b>	Free Prior and Informed Consent
<b>FRC</b>	Financial Reporting Council
<b>FRS101</b>	Financial Reporting Standard 101 Reduced Disclosure Framework
<b>GHG</b>	Greenhouse gas
<b>HCS</b>	High carbon stocks
<b>HCV</b>	High conservation values
<b>HGU (Hak Guna Usaha)</b>	Indonesian land title for agricultural purposes
<b>IAS</b>	International Accounting Standard
<b>IASB</b>	International Accounting Standards Board
<b>IFRS(s)</b>	International Financial Reporting Standard(s)
<b>IPA</b>	PT Indo Pancadasa Agrotama
<b>ISCC</b>	International Sustainability and Carbon Certification
<b>ISPO</b>	Indonesian Sustainable Palm Oil
<b>IUCN</b>	International Union for Conservation of Nature
<b>Izin Lokasi</b>	Indonesian land allocation, subject to completion of titling
<b>JORC</b>	Joint Ore Reserves Committee
<b>KCC</b>	KCC Resources Limited
<b>KCCRI</b>	PT KCC Resources Indonesia
<b>KCP</b>	Kernel crushing plant
<b>KKP</b>	PT Kebun KutaiPermai
<b>KLK</b>	Kuala Lumpur Kepong Berhad
<b>KMS</b>	PT Kutai Mitra Sejahtera
<b>KPI</b>	Key performance indicator
<b>KPT</b>	KLK Plantations and Trading Pte. Ltd.
<b>LSE</b>	London Stock Exchange
<b>MCU</b>	PT Millenia Coalindo Utama
<b>MHA</b>	MHA MacIntyre Hudson
<b>NDPE</b>	No deforestation, no peat, no exploitation

<b>OHS</b>	Occupational health and safety
<b>PalmGHG</b>	RSPO calculator for estimating and monitoring GHG emissions
<b>PBJ</b>	PT Putra Bongan Jaya
<b>PBJ2</b>	PT Persada Bangun Jaya
<b>Pension Scheme</b>	R.E.A. Pension Scheme
<b>Plasma</b>	Smallholder plantation scheme
<b>PLN</b>	Perusahaan Listrik Negara
<b>POM</b>	Perdana oil mill
<b>POME</b>	Palm oil mill effluent
<b>PPE</b>	Property, plant and equipment
<b>PPMD</b>	Program Pemberdayaan Masyarakat Desa (smallholder scheme)
<b>PROPER</b>	Pollution Control, Evaluation and Rating
<b>PSS</b>	PT Selatan Selabara
<b>PU</b>	PT Prasetia Utama
<b>PwC</b>	PricewaterhouseCoopers
<b>REAF</b>	REA Finance B.V.
<b>REA Kaltim</b>	PT REA Kaltim Plantations
<b>REA Kon</b>	The group's conservation department
<b>REA Mart</b>	Employee cooperative shops
<b>REAS</b>	R.E.A. Services Limited
<b>REAT</b>	R.E.A. Trading plc
<b>RPI</b>	Retail Prices Index
<b>RSPO</b>	Roundtable on Sustainable Palm Oil
<b>RTE</b>	Rare, threatened and endangered
<b>Rupiah, Rp</b>	The lawful currency of Indonesia
<b>SBTi</b>	Science Based Targets initiative
<b>SEARRP</b>	South East Asian Rainforest Research Partnership
<b>SECR</b>	Streamlined energy and carbon reporting
<b>SEnSOR</b>	Socially and Environmentally Sustainable Oil Palm Research
<b>SIA</b>	Social impact assessment

<b>SOM</b>	Satria oil mill
<b>SPA</b>	Share purchase agreement
<b>SPOTT</b>	Sustainable Palm Oil Transparency Toolkit
<b>Sterling, pounds sterling, £</b>	The lawful currency of the United Kingdom
<b>Sterling notes</b>	8.75 per cent sterling notes 2025
<b>SYB</b>	PT Sasana Yudha Bhakti
<b>Taiko</b>	Taiko Plantations Pte. Ltd.
<b>TCFD</b>	Taskforce on Climate-related Financial Disclosures
<b>UK GDPR</b>	UK General Data Protection Regulation
<b>Website</b>	<a href="http://www.rea.co.uk">www.rea.co.uk</a>
<b>WHO</b>	World Health Organisation
<b>ZSL</b>	Zoological Society of London

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