R.E.A. Holdings plc (RE.)
R.E.A. Holdings plc: Annual report in respect of 2022

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R.E.A. HOLDINGS PLC (the “company”)

ANNUAL FINANCIAL REPORT 2022

The company's annual report for the year ended 31 December 2022 (including notice of the annual general meeting to be held on 8 June 2022) (the “annual report”) will shortly be available for downloading from www.rea.co.uk/investors/financial-reports.

A copy of the notice of annual general meeting will also be available to download from www.rea.co.uk/investors/calendar.

Upon completion of bulk printing, copies of the annual report will be despatched to persons entitled thereto and will be submitted to the National Storage Mechanism to be made available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

The sections below entitled “Chairman's statement", “Dividends”, “Principal risks and uncertainties”, “Viability statement”, “Going concern” and “Directors' responsibilities” have been extracted without material adjustment from the annual report. The basis of presentation of the financial information set out below is detailed in note 1 to the financial statements below.

HIGHLIGHTS

Overview

- Continuing improvement in operating and financial position, following return to profitability in 2021
- Higher average selling prices for CPO and CPKO largely offsetting inflationary pressures on costs in 2022
- Commitment to reducing GHG emissions fortified by a range of new sustainability initiatives

Financial

- Revenue increased by 8.8 per cent in 2022 to $208.8 million (2021: $191.9 million)
- Slightly lower EBITDA of $69.1 million (2021: $75.8 million), principally reflecting a $5.5 million negative movement in the fair value of agricultural produce (in turn reflecting lower closing CPO prices compared with 2021)
- Profit before tax of $42.0 million (2021: $29.2 million), benefiting from foreign exchange gains of $14.2 million
- Group net indebtedness reduced to $166.7 million in 2022 (2021: $175.7 million)
- Dollar note maturity extended by four years to 30 June 2026
- 10p per share of cumulative arrears of preference dividend paid in 2022, together with semi-annual preference dividends due

Agricultural operations

- FFB production up 3.7 per cent to 765,682 tonnes (2021: 738,024)
- CPO extraction rate averaging 22.3 per cent (2021: 22.4 per cent)
- Replanting of oldest mature areas commenced
- Development and planting of extension areas recommenced
- Completion of Satria oil mill expansion, doubling its capacity

Stone and coal

- $22.2 million cash inflow from loan repayments by coal concession holding company (IPA)
- Stone concession holding company (ATP) to commence production shortly
- Intention to withdraw from interest in coal remains

Environmental, social and governance

- Increased score in the SPOTT assessment by the Zoological Society of London of 87.0 per cent, up from 84.4 per cent (ranked 10th out of 100 companies assessed)
- Review of ESG strategy and practices underpinning group’s commitment to reducing GHG emissions and delivering regeneration supported by new collaborations with SBTi and research based institutions
- Pilot projects 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 leading to RSPO certification for first group of smallholder farmers in the region

- Platinum certificate awarded by Ministry of Manpower for a second year for the group's Covid prevention and control programme

Outlook

- CPO prices expected to remain at remunerative levels
- Continuing investment in the operations to build on improved performance and giving greater resilience to the vagaries of weather patterns in both the field and mills
- An ESG programme to deliver sustainable growth while meeting the challenges of climate change and biodiversity loss
- Further cash inflows from loan repayments from stone and coal concession holding companies
- A more solid financial footing providing the opportunity for future growth as well as a progressive reduction in net indebtedness
- Provided operational performance and cash flows continue at satisfactory levels, remaining 7p per share arrears of preference dividend to be eliminated by end 2023

CHAIRMAN'S STATEMENT

Following on from the group's return to profitability in 2021 and the continuing better CPO prices, 2022 was a year of consolidation for the group. Good revenues, reflecting the CPO prices largely offsetting inflationary pressures on costs, enabled a number of key projects to be undertaken, including investment in the transport fleet, improvements to infrastructure including housing stock, the commencement of replanting, and the resumption of extension planting. Expansion of the group's third oil mill at Satria ("SOM"), doubling its capacity, was also completed during the year.

The investment in the transport fleet (mainly in new tractors and trucks), together with the continuing programme of stoning the group's road network to improve durability, should afford the group greater resilience to periods of heavy rainfall and thereby benefit harvesting and crop evacuation. Additionally, completion of modification works in the group's three mills, including the SOM expansion, and, most recently, the repairs to the boiler at Perdana oil mill ("POM") (largely covered by the groups' insurance arrangements), should enhance the group's resilience in the mills, facilitating essential maintenance and repairs, as well as ensuring ample processing capacity for the group's own FFB production and that of third party suppliers. Further, the processing capacity that has been added will allow for the separation of fully certified sustainable FFB from other FFB. This should permit sales of the CPO produced from the sustainable FFB as segregated sustainable CPO, which normally commands a price premium.

The group remains committed to ensuring that its environmental, social and governance ("ESG") policies and practices meet the challenges of climate change and biodiversity loss and can deliver sustainable growth for the benefit of all stakeholders. A review of the group's sustainability strategy and practices undertaken during 2022 concluded with the development of an implementation road map for evaluating, addressing and monitoring climate-related risks and opportunities. The group has made a commitment to achieve a 50 per cent reduction in net greenhouse gas ("GHG") emissions by 2030 and to work towards the longer term objective of net-zero emissions by 2050. In support of this goal, the group has signed up to the Science Based Targets initiative ("SBTi"), is exploring a range of work programmes and has entered into collaborative agreements with various research based institutions.

The group's annual participation in the Sustainable Palm Oil Transparency Toolkit ("SPOTT") assessment conducted by the Zoological Society of London ("ZSL") resulted in a further improvement in its score from 84.4 per cent to 87.0 per cent. The average score achieved by the 100 palm oil companies assessed was 45.4 per cent in 2022. The group was ranked 10th.

In furtherance of the group's policy on human rights and in support of its approach to gender and ethnic diversity, the group has established a diversity, equality and inclusion ("DEI") committee with the aim of ensuring equality of opportunity and treatment at all levels in the group.

In the agricultural operations, although excessive rainfall and periodic flooding presented logistical challenges for crop evacuation throughout the year, the continuing investment in the group's transport fleet and estate road improvements had a positive impact on both the quantity and quality of crops harvested. As expected, the group's agricultural production increased during the second half of the year and, for the whole year, FFB harvested amounted to 765,682 tonnes, some 3.7 per cent higher than that achieved in 2021. Third party harvested and bought in FFB totalled 248,969 tonnes, compared with 210,978 tonnes in 2021, an increase of 18.0 per cent.

With the increase in crops, there was a near commensurate increase in production of CPO, CPKO and palm kernels amounting to, respectively, 218,275 tonnes (2021: 209,006 tonnes), 18,206 tonnes (2021: 17,361 tonnes) and 46,799 tonnes respectively (2021: 44,735 tonnes).

The improvement in the group's operational and financial position in 2022 afforded the opportunity to embark on the necessary replanting of the group's oldest mature planted areas, where crop yields are starting to ease back, and to commence resupplying the areas where original plantings had been lost through flooding, but where water levels can now be controlled following the construction of bunds. Some 245 hectares were replanted and 67 hectares resupplied.

Additionally, as planned, land preparation commenced at the group's newest estate at PU where it is expected that an initial area of some 2,000 hectares will be planted during 2023. A further 55 hectares of extension plantings were established within the group's already developed estates during 2022.

The benefits of a surge in CPO prices early in 2022, in line with generally higher commodity prices, were dampened by a range of measures introduced by the Indonesian government in the middle of the year aimed at supporting the local availability of cooking oil at an affordable price. The impact was a dramatic fall in the net prices receivable by the group for its oil which is sold into the local Indonesian market. However, periodic revisions to the government measures saw net prices stabilise and return to remunerative levels later in the year.

The CPO price, CIF Rotterdam, opened the year at $1,350 per tonne, and peaked at $1,990 in early March before falling to close at $995 at the end of 2022. So far in 2023, the price has traded around $1,000 per tonne and currently stands at $1,040 per tonne.

The average selling price for the group's CPO for 2022, including premia for certified oil but net of export duty and levy, adjusted to FOB Samarinda, was $821 per tonne (2021: $777 per tonne). The average selling price for the group's CPKO, on the same basis, was $1,185 per tonne (2021: $1,157 per tonne).

Group revenue in 2022 increased by 8.8 per cent, totalling $208.8 million compared with $191.9 million in 2021 as a result of higher average selling prices and CPO volumes. Operating costs increased by 10.0 per cent, totalling $76.6 million (2021: $69.6 million). The increase in costs partially reflected the increased FFB crop but was also due to increases in the cost of fertiliser and fuel and to the expenditure required to meet the challenges for harvesting and crop evacuation as a result of the high rainfall.

Operating profit for 2022 totalled $41.4 million, some $6.7 million lower than the corresponding figure for 2021, principally reflecting a negative movement of $5.5

million in the fair value of agricultural produce, itself in large part a consequence of the lower CPO and CPKO prices at the end of 2022 than at the end of 2021. Earnings before tax, interest, depreciation and amortisation ("EBITDA") amounted to $69.1 million, some $6.8 million lower than that achieved in 2021.

Profit before tax amounted to $42.0 million, compared with $29.2 million in 2021, after a foreign exchange gain of $14.2 million (2021: $1.2 million) relating to the sterling and rupiah borrowings and other monetary items and arising from the depreciation of sterling and the rupiah against the dollar. The investment revenue component of pre-tax profit increased to $5.6 million from $1.5 million in 2021, reflecting the inclusion of interest from, and the reversal of prior year provisions against interest receivable from, one of the coal concession holding companies that is now generating positive cash flows.

Shareholders' funds less non-controlling interests at 31 December 2022 amounted to $233.9 million, compared with $222.4 million at the end of 2021. Non-controlling interests at 31 December 2022 totalled $23.6 million (2021: $20.3 million)

Total net indebtedness fell in 2022 and stood at $166.7 million at 31 December 2022 (2021: $175.7 million) notwithstanding a substantial commitment of funds, shortly after the commencement of the war in Ukraine, to an advance purchase of fertiliser for 2023. Following the sanctioning of the extension of the redemption date from June 2022 to June 2026 of the group's 7.5 per cent dollar notes (the "dollar notes"), a total of $27.0 million nominal dollar notes remain outstanding, $8.6 million of which are held by the company's wholly owned subsidiary, R.E.A. Services Limited ("REAS").

The group remains committed to a progressive reduction of its indebtedness to the extent that cash generation and demands for investment permit. The group is currently in discussion with its Indonesian banker, PT Bank Mandiri Tbk ("Bank Mandiri"), to provide a development loan to fund a proportion of the costs of the extension planting at PU. If concluded, this would moderate the speed of debt reduction but still allow for further overall reductions in net debt.

Progress during 2022 in the stone and coal concession holding companies to which the group has made loans encourages an expectation of continuing significant cash inflows from loan repayments.

Mining at the coal concession holding company, PT Indo Pancadasa Agrotama ("IPA") continued throughout 2022. A total of 11 shipments of coal mined from IPA's southern pit were made during the year totalling some 346,000 tonnes at selling prices averaging $258 per tonne and some $22.2 million of the loans made by the group to IPA were repaid. Together with the mining of coal from IPA's northern pit, which commenced at the end of 2022, coal operations are expected to continue at least until the end of 2024. Thereafter, it remains the directors' intention that the group should withdraw from interest in coal.

Recent investigations of the sand in the overburden overlaying the coal at IPA have indicated that this sand has a commercial value. Subject to the requisite permits being granted, the group has agreed to acquire a 49 per cent shareholding in the company established by the group's local partners in IPA to extract and market the sand. Arrangements have recently been concluded with IPA's contractor to extend the mining and profit sharing arrangements relating to IPA to cover the extraction and processing of the sand.

Plans to commence quarrying of the andesite stone concession held by PT Aragon Tambang Pratama ("ATP") have recently been finalised. ATP has appointed a contractor to operate the quarry and is concluding agreements for the supply of stone to the neighbouring coal company as well as to the group, and for the use of neighbouring companies' roads for transporting the stone. Production is due to commence shortly.

The dividends due in 2022 on the group's 9 per cent preference shares were paid on their due dates together with a payment in December of 10p per share of the cumulative arrears of preference dividend. Provided that operational performance and cash flows continue at satisfactory levels, the directors aim to eliminate the remaining 7p per share of arrears of preference dividend by the end of 2023.

On behalf of the board, I would like to welcome Mieke Djalil who joined as a non-executive director in July 2022. Based in Indonesia, Mieke has over 35 years' experience in business process improvement and project management. Her local, as well as international, knowledge and experience are a valuable resource for the board.

Subject to CPO and CPKO prices remaining at remunerative levels, the group should continue to generate good cash flows which should be augmented by further loan repayments from the coal and stone concession holding companies. The directors expect therefore to continue building on the improvement in the group's operational and financial position.

David J BLACKETT
Chairman

DIVIDENDS

The semi-annual dividends arising on the preference shares in June and December 2022 were paid on their respective due dates. In addition, a payment of 10p per share of arrears of dividend on the group's preference shares was paid on 31 December 2022. Provided that operational performance and cash flows continue at satisfactory levels, the directors aim to eliminate the remaining arrears of preference dividend (which amount to 7p per share) by the end of 2023.

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. No dividend in respect of the ordinary shares has been paid in respect of 2022 or is proposed.

ANNUAL GENERAL MEETING

The sixty third annual general meeting ("AGM") 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 8 June 2023 at 10.00 am.

Attendance

To help 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. by visiting Computershare's electronic proxy service www.investorcentre.co.uk/eproxy (and so that the appointment is received by the service by no later than 10.00 am on 6 June 2023) or via the CREST electronic proxy appointment service; or

ii. by completing, signing and returning a form of proxy to the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, so as to arrive by no later than 10.00 am on 6 June 2023; or

iii. by using the Proxymity platform if you are an institutional investor (for more information see "Notice of AGM" in the annual report).

The company will make further updates, if any, about the meeting at www.rea.co.uk/investors/regulatory-news and on the website's home page. Shareholders are accordingly requested to watch the group's website for any such further updates.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The group's business involves risks and uncertainties. Those 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.

Identification, assessment, management and mitigation of the risks associated with ESG 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 in the annual report.

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, has resulted in material inflation in group costs, albeit that such inflation has moderated in recent months. 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. The group has made a commitment to achieve a 50 per cent reduction in GHG emissions by 2030 and to work towards the longer term objective of net-zero emissions by 2050. In furtherance of these commitments, a CCWG has been established to identify, quantify and reduce emission sources across all of the group's operations and to set actions, priorities and timelines for the group. The group has also recently signed up to the SBTi with the aim of following the science to frame the group's actions to reduce carbon emissions. 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 ESG matters and the measures taken in response to any failures are described in more detail under Environmental, social and governance 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".

In addition, the directors have identified IT security as a new, though not particularly significant, risk as detailed under "General" below.

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" 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
Material variations in levels of rainfall disrupting either river or road transport	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

Risk	Potential impact	Mitigating or other relevant considerations
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. Construction of a further biogas plant in due course would 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, together with the further storage facilities afforded by the group's fleet of barges, have hitherto always proved adequate to meet the group's requirements for CPO and CPKO storage. Additionally, a new road currently under construction by a neighbouring coal company will shortly provide an alternative land route for produce evacuation as well as the option to construct a new bulking terminal on the road route thereby eliminating the risk of potential bottlenecks caused by fluctuations in river levels
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
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 temporary restrictions on the export of CPO and CPKO; several such measures were introduced in 2022 in response to generally rising prices precipitated by the war in the Ukraine but, whilst impacting prices in the short term, have subsequently been modified to afford producers economic margins. The export levy charge funds biodiesel subsidies and thus supports the local

Risk	**Potential impact**	price of CPO **Mitigating or other relevant considerations**
Disruption 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 disruption 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 or decrease 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
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	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,

Risk	Potential impact	Mitigation or other relevant considerations
areas or as respects which local communities otherwise have rights		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 holding 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 holding companies seek to ensure the accuracy of geological assessments of any extraction programme
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 of similar quality or volume in the vicinity of the stone concessions and the cost of transporting stone should restrict competition. The rapid extraction of coal encourages an expectation of an early full recovery of loans from the principal coal company. Any surplus cash accruing thereafter will be available to be applied by the principal coal company in paying dividends to the stone concession company which can be utilised to reduce its own loans from the group
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

Risk	Potential impact	Mitigating or other relevant considerations
		Ability to deploy additional equipment in order to meet production and transportation targets during periods of higher rainfall
General		
IT security		
IT related fraud	Increasing prevalence and sophistication of cyber-attacks leading to theft	The group's IT controls and financial reporting systems and procedures are independently audited annually and recommendations for corrective actions to enhance controls are implemented accordingly. Additionally, an external independent cyber security review and penetration test have been commissioned and will be conducted periodically going forward
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 shortages of fertiliser 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. Cost inflation can only be mitigated by improved operating efficiency
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	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

Risk	Potential impact	Mitigating or other relevant considerations
concessions (including conditions requiring utilisation of the rights and concessions) or failure to maintain or renew all permits and licences required for the group's operations		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
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 restrictions on legitimate exchange transfers 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 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
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 Environmental, social and governance 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

VIABILITY STATEMENT

The group's business activities, together with the factors likely to affect its future development, performance and financial position are described in the Strategic report above which also provides (under the heading Finance) a description of the group's cash flow, liquidity and treasury policies. In addition, note 23 to the group financial statements in the annual report 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 a number of 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 2022 and the early months of 2023 have seen prices remaining at satisfactory levels. As a result, the group has been generating, and continues to generate, strong cash flows from its oil palm operations.

Following completion of a reorganisation of the group's indebtedness during 2021, total indebtedness at 31 December 2022, as detailed in "Capital structure" in the Strategic report, amounted to $188.6 million, comprising Indonesian rupiah denominated term bank loans equivalent in total to $114.2 million, drawings under an Indonesian rupiah denominated working capital facility equivalent to $2.9 million, $18.5 million nominal of 7.5 per cent dollar notes 2026 (net of dollar notes owned by the group) and £30.9 million nominal (equivalent to $38.2 million) of 8.75 per cent sterling notes 2025 and loans from the non-controlling shareholder in REA Kaltim of $15.5 million. The total borrowings repayable in the period to 31 December 2026 (based on exchange rates ruling at 31 December 2022) amount to the equivalent of $142.0 million of which the major part will fall due in 2025 ($68.0 million) and 2026 ($38.4 million).

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

Capital expenditure in 2023 and the immediately following years is likely to be to be maintained at not less than the level of $20.4 million incurred in 2022 as the group progresses its extension planting programme, accelerates replanting of older oil palm areas, invests further in improving its housing stock and continues a programme of stoning the group's extensive road network to improve the durability of roads in periods of heavy rain. The group's mill processing capacity should, however, be adequate for the foreseeable future with only limited further investment.

Current discussions with the group's Indonesian bankers, Bank Mandiri, may result in the bank agreeing to provide a development loan to fund a proportion of the costs of the extension planting programme. If agreed, this would reduce the amount of self-generated cash flow immediately needed to fund capital expenditure.

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 remaining arrears of dividend on the preference shares amounting to 7p per share by the end of 2023. At the current exchange rate of £1 = $1.24, this will involve an outlay of $8.0 million per annum for future dividends and a further outlay of $6.2 million to discharge the remaining arrears.

The group has for some years relied on funding provided by the group's customers in exchange for forward commitments of CPO and CPKO. Agreements are in place to continue such funding in relation to contracts running to end 2025. The group believes that, if required, such agreements could be extended although it does not currently expect that this will be necessary.

Coal operations at the IPA concession at Kota Bangun are currently generating positive cash flows which, if coal prices remain at current levels, may reasonably be expected to continue until end 2024. Moreover, quarrying of the andesite stone concession held by ATP is due to commence shortly. As a result, repayments of the group's loans to the stone and coal concession companies can be expected to continue.

Whilst commodity prices can be volatile, the group can reasonably hope that CPO and CPKO prices will remain at remunerative levels for the foreseeable future. Moreover, recent modest declines in the prices of fertiliser and diesel oil are moderating inflation in operating costs, so that the group can expect that its operations will continue to generate cash flows at good levels.

Taking account of the cash already held by the group at 31 December 2022 of $21.9 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 may 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 that will have occurred by 2025 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 financial 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 2022, the group had cash and cash equivalents of $21.9 million, and borrowings of $188.6 million (in both cases as set out in note 23 to the group financial statements in the annual report). The total borrowings repayable by the group in the period to 30 June 2024 (based on exchange rates ruling at 31 December 2022) amount to the equivalent of $27.1 million.

In addition to the cash required for debt repayments, the group also faces demands on cash in the period to 30 June 2024 to fund capital expenditure and dividends and arrears of dividend on the company's preference shares as referred to in more detail in the "Viability statement" above. That statement also notes the possibility of a new bank development loan to meet a proportion of the costs of the group's extension planting programme, the continuation of funding from the group's customers, the group's expectations regarding further loan repayments by the stone and coal concession holding companies and the prospect of good cash generation by the group's oil palm operations.

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.

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

DIRECTORS' RESPONSIBILITIES

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

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 in the annual 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.

The current directors of the company and their respective functions are set out in the "Board of directors" section of the annual report.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 $'000	2021 $'000
Revenue	**208,783**	**191,913**
Net (loss) / gain arising from changes in fair value of agricultural produce	(2,790)	2,661
Cost of sales	(145,259)	(132,420)
Gross profit	**60,734**	**62,154**
Distribution costs	(2,014)	(637)
Administrative expenses	(17,319)	(13,434)
Operating profit	**41,401**	**48,083**
Investment revenues	5,297	1,483
Finance gains	14,661	1,167
Finance costs	(19,313)	(21,535)
Profit before tax	**42,046**	**29,198**
Tax	(9,160)	(19,937)
Profit for the year	**32,886**	**9,261**
Attributable to:		
Equity shareholders	27,777	7,326
Non-controlling interests	5,109	1,935
	32,886	9,261
Profit / (loss) per 25p ordinary share (US cents)		
Basic	43.1	(3.4)
Diluted	39.5	(3.4)

All operations for both years are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 $'000	2021 $'000
Profit for the year	**32,886**	**9,261**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Deferred tax impact of change in subsidiary's functional currency	–	497
Exchange differences on translation of foreign operations	–	2
	–	499
Items that will not be reclassified to profit or loss:		
Actuarial gains	374	759
Deferred tax on actuarial gains	(83)	(154)
	291	605
Total comprehensive income for the year	**33,177**	**10,365**
Attributable to:		
Equity shareholders	28,027	8,560
Non-controlling interests	5,150	1,805
Profit for the year	**33,177**	**10,365**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	2022	2021*
	$'000	$'000
Non-current assets		
Goodwill	12,578	12,578
Intangible assets	1,836	361
Property, plant and equipment ("PPE")	354,028	365,798
Land	44,967	43,640
Financial assets	55,003	72,733
Deferred tax assets	3,000	4,275
Non-current receivables	5,007	5,300
Total non-current assets	476,419	504,685
Current assets		
Inventories	27,428	17,832
Biological assets	3,909	4,154
Trade and other receivables	31,440	16,658
Current tax asset	188	1,230
Cash and cash equivalents	21,914	46,892
Total current assets	84,879	86,766
Total assets	**561,298**	**591,451**
Current liabilities		
Trade and other payables	(40,454)	(54,720)
Current tax liabilities	(1,462)	(5,705)
Bank loans	(16,390)	(16,955)
Dollar notes	–	(26,985)
Other loans and payables	(5,712)	(7,293)
Total current liabilities	(64,018)	(111,658)
Non-current liabilities		
Trade and other payables	(9,757)	(1,489)
Bank loans	(100,730)	(119,871)
Sterling notes	(38,162)	(42,533)
Dollar notes	(17,842)	–
Deferred tax liabilities	(44,454)	(45,504)
Other loans and payables	(28,805)	(27,738)
Total non-current liabilities	(239,750)	(237,135)
Total liabilities	**(303,768)**	**(348,793)**
Net assets	257,530	242,658
Equity		
Share capital	133,590	133,586
Share premium account	47,374	47,358
Translation reserve	(25,101)	(25,101)
Retained earnings	78,042	66,545
	233,905	222,388
Non-controlling interests	23,625	20,270
Total equity	**257,530**	**242,658**

* Restated – see note 22

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium	Translation reserve	Retained earnings	Sub total	Non-controlling interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2021*	133,586	47,358	(25,833)	68,504	223,615	18,465	242,080
Loss 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)	66,545	222,388	20,270	242,658
Profit for the year	–	–	–	27,777	27,777	5,109	32,886
Amendment to non-controlling interest	–	–	–	–	–	(295)	(295)
Other comprehensive income for the year	–	–	–	250	250	41	291
Exercise of warrants	4	16	–	–	20	–	20
Dividends to preference shareholders	–	–	–	(16,530)	(16,530)	–	(16,530)
Dividends to non-controlling interests	–	–	–	–	–	(1,500)	(1,500)

At 31 December 2022	133,590	47,374	(25,101)	78,042	233,905	23,625	257,530

* Restated – see note 22

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 $'000	2021 $'000
Net cash from operating activities	**16,699**	**36,920**
Investing activities		
Interest received	2,058	1,483
Proceeds on disposal of PPE	1,517	2,544
Purchases of PPE	(19,095)	(13,456)
Expenditure on land	(1,327)	(3,754)
Net repayment from stone and coal interests	17,018	2,441
Net cash generated by / (used in) investing activities	171	(10,742)
Financing activities		
Preference dividends paid	(16,530)	(9,787)
Dividend to non-controlling interest	(1,500)	–
Repayment of bank borrowings	(39,243)	(110,210)
New bank borrowings drawn	30,400	137,255
Purchase of dollar notes held in treasury	(8,570)	–
Repayment of borrowings from related party	(51)	(4,068)
Repayment of borrowings from non-controlling shareholder	(697)	(900)
Cost of extension of redemption date of dollar notes	(252)	–
Proceeds from issue of ordinary shares	20	–
Repayment of lease liabilities	(2,670)	(2,617)
Net cash (used in) / from financing activities	(39,093)	9,673
Cash and cash equivalents		
Net (decrease) / increase in cash and cash equivalents	(22,223)	35,851
Cash and cash equivalents at beginning of year	46,892	11,805
Effect of exchange rate changes	(2,755)	(764)
Cash and cash equivalents at end of year	**21,914**	**46,892**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements and notes 1 to 24 below (together the "financial information") have been extracted without material adjustment from the financial statements of the group for the year ended 31 December 2022 (the "2022 financial statements"). The auditor has reported on those accounts; the reports were unqualified and did not contain statements under sections 498(2) or (3) of the Companies Act 2006 ("CA 2006"). Copies of the 2022 financial statements will be filed in the near future with the Registrar of Companies. The accompanying financial information does not constitute statutory accounts of the company within the meaning of section 434 of the CA 2006.

Whilst the 2022 financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS") as brought into UK law on 31 December 2021 and with the CA 2006, as at the date of authorisation of those accounts the accompanying financial information does not itself contain sufficient information to comply with IFRS.

The 2022 financial statements and the accompanying financial information were approved by the board of directors on 19 April 2022.

2. Revenue and cost of sales

	2022 $'000	2021 $'000
Revenue:		
Sales of goods	206,611	190,565
Revenue from management services	1,520	1,348
Revenue from stone and coal interests	652	–
	208,783	191,913
Cost of sales:		
Depreciation and amortisation	(27,654)	(27,724)
Other costs	(117,605)	(104,696)
	(145,259)	(132,420)

3. Segment information

In the table below, the group's sales of goods are analysed by geographical destination and the carrying amount of net assets 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 2022 and 2021, the latter did not meet the quantitative thresholds set out in IFRS 8 Operating segments and, accordingly, no analyses are provided by business segment.

	2022	2021
	$'m	$'m
Sales by geographical destination:		
Indonesia	206.6	190.6
	206.6	190.6

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

	2022	2022	2022	2021	2021*	2021*
	Europe	Indonesia	Total	Europe	Indonesia	Total
	$'m	$'m	$'m	$'m	$'m	$'m
Consolidated non-current assets	1.4	476.1	477.5	1.1	503.6	504.7
Consolidated current assets	9.3	84.1	93.4	0.8	86.0	86.8
Consolidated liabilities	(66.4)	(246.8)	(313.2)	(70.6)	(278.2)	(348.8)
Net (liabilities) / assets	(55.7)	313.4	257.7	(68.7)	311.4	242.7

* Restated – see note 22

4. Agricultural produce movement

The net loss arising from changes in fair value of agricultural produce represents the aggregate movement in the carrying values of agricultural produce inventory and biological assets. The movement in the carrying value of agricultural produce inventory comprises the movement in the fair value of the FFB input into that inventory (measured at point of harvest) less the movement in such inventory at historic cost (which is included in cost of sales).

5. Administrative expenses

	2022	2021
	$'000	$'000
Loss / (profit) on disposal of PPE	218	(123)
Indonesian operations	14,221	11,307
Head office	3,428	2,575
	17,867	13,759
Amount included as additions to PPE	(548)	(325)
	17,319	13,434

6. Investment revenues

	2022	2021
	$'000	$'000
Interest on bank deposits	1,411	402
Other interest income	647	1,081
Reversal of provision in respect of interest on stone and coal loans	3,239	–
	5,297	1,483

Investment revenues include $2.6 million interest receivable in respect of stone and coal loans net of a provision of $1.7 million (31 December 2021: interest receivable of $2.6 million net of a provision of $1.5 million).

The provision of $3.2 million in respect of cumulative interest payable by a coal concession holding company was reversed in the year as it is now generating revenue and has repaid substantially all of its loan to the group.

7. Finance gains

	2022	2021
	$'000	$'000
Change in value of sterling notes arising from exchange fluctuations	4,553	556
Change in value of other monetary assets and liabilities arising from exchange fluctuations	9,613	611
Gain arising on the extension of the redemption date of the dollar notes	495	–
	14,661	1,167

8. Finance costs

	2022	2021
	$'000	$'000
Interest on bank loans and overdrafts	10,814	11,338
Interest on dollar notes	1,707	2,028
Interest on sterling notes	3,263	3,687
Interest on other loans	851	735

Interest on lease liabilities	377	214
Other finance charges	2,527	3,568
	19,539	21,570
Amount included as additions to PPE	(226)	(35)
	19,313	21,535

2022 interest on dollar notes is net of interest in respect of the $8.6 million notes held in treasury by a group company for resale.

Other finance charges in 2021 included a charge of $1.4 million relating to abortive advisory costs incurred in respect of the reorganisation of the group's Indonesian bank borrowings.

Amounts included as additions to PPE arose on borrowings applicable to the Indonesian operations and reflected a capitalisation rate of 2.0 per cent (2021: 0.3 per cent); there is no directly related tax relief.

9. Tax

	2022 $'000	2021 $'000
Current tax:		
UK corporation tax	78	–
Overseas withholding tax	1,635	739
Foreign tax	7,172	5,326
Foreign tax – prior year	133	2,950
Total current tax	9,018	9,015
Deferred tax:		
Current year	3,128	11,347
Prior year	(2,986)	(425)
Total deferred tax	142	10,922
Total tax	9,160	19,937

Taxation is provided at the rates prevailing for the relevant jurisdiction. For Indonesia, the current and deferred taxation provision is based on a tax rate of 22 per cent (2021: 22 per cent) and for the UK, the taxation provision reflects a corporation tax rate of 19 per cent (2021: 19 per cent) and a deferred tax rate of 25 per cent (2021: 25 per cent).

10. Dividends

	2022 $'000	2021 $'000
Amounts recognised as distributions to preference shareholders:		
Dividends on 9 per cent cumulative preference shares	16,530	9,787

The semi-annual dividends arising on the preference shares that fell due on 30 June and 31 December 2022 were duly paid, together, in the latter case, with 10p per share of the cumulative arrears of preference dividends, thus reducing the arrears from 17p per share (£12.2 million – $16.5 million) as at 31 December 2021 to 7p per share (£5.0 million – $6.1 million) as at 31 December 2022. 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 2023 and 2024 to be paid as they fall due. In addition, provided that operational performance and cash flows continue at satisfactory levels, the directors aim to eliminate the remaining arrears of preference dividend by the end of 2023.

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 2022 or is proposed.

11. Profit / (loss) per share

	2022 $'000	2021 $'000
Profit attributable to equity shareholders	27,777	7,326
Preference dividends paid relating to current year	(8,826)	(8,826)
Profit / (loss) for the purpose of calculating loss per share	18,951	(1,500)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic profit / (loss) per share	43,959	43,951
	'000	'000
Weighted average number of ordinary shares for the purpose of diluted profit / (loss) per share	47,957	43,951

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

12. Property, plant and equipment

	Plantings $'000	Buildings and structures $'000	Plant, equipment and vehicles $'000	Construction in progress $'000	Total $'000
Cost:					
At 1 January 2021	175,415	248,594	124,148	9,113	557,270
Additions	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
Additions	2,367	3,712	9,840	2,903	18,822
Reclassifications and adjustments	–	2,429	1,471	(5,168)	(1,268)
Disposals	(1,107)	(1,256)	(6,588)	–	(8,951)
At 31 December 2022	176,547	255,293	130,177	13,168	575,185
Accumulated depreciation:					
At 1 January 2021	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
Charge for year	10,137	7,608	9,844	–	27,589
Disposals	(126)	(613)	(6,477)	–	(7,216)
At 31 December 2022	76,011	66,601	78,545	–	221,157
Carrying amount:					
At 31 December 2022	100,536	188,692	51,632	13,168	354,028
At 31 December 2021	109,287	190,802	50,276	15,433	365,798

The depreciation charge for the year includes $44,000 (2021: $35,000) 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 PPE amounting to $7.3 million (2021: $7.1 million).

At the balance sheet date, PPE of $123.0 million (2021: $132.4 million) had been charged as security for bank loans (see note 15).

13. Land

	2022 $'000	2021 $'000
Cost:		
Beginning of year	47,962	44,201
Additions	1,327	3,754
Reclassifications and adjustments	–	7
Disposals	(641)	–
End of year	48,648	47,962
Accumulated amortisation:		
Beginning of year	4,322	4,322
Disposals	(641)	–
End of year	3,681	4,322
Carrying amount:		
End of year	44,967	43,640
Beginning of year	43,640	39,879

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 the other relating to the acquisition of Izin Lokasi.

At 31 December 2022, certificates of HGU had been obtained in respect of areas covering 64,522 hectares (2021: 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 periods of up to 35 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.

At the balance sheet date, land titles of $26.3 million (2021: $18.9 million) had been charged as security for bank loans (see note 15).

14. Financial assets

	2022 $'000	2021 $'000
Stone interest	30,354	25,622

Coal interests	13,524	32,035
Provision against loan to coal interests	(2,550)	(2,550)
	41,328	55,107
Plasma advances	13,675	17,626
	13,675	17,626
Total financial assets	55,003	72,733

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 $9.0 million net of a provision of $9.0 million (2021: $10.5 million cumulative interest receivable and provision). This interest has been provided against due to the creditworthiness of the concession holding companies, 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 year. A provision of $3.2 million in respect of the coal concession holding company that is generating revenue and has repaid substantially all of its loan to the group has been reversed in the year and is included within investment revenue in the consolidated income statement.

Plasma advances are discussed under "Credit risk" in note 23 of the annual report.

15. Bank loans

	2022 $'000	2021 $'000
Bank loans	117,120	136,826
The bank loans are repayable as follows:		
On demand or within one year	16,390	16,955
Between one and two years	14,210	14,393
Between two and five years	53,779	51,999
After five years	32,741	53,479
	117,120	136,826
Amount due for settlement within 12 months	16,390	16,955
Amount due for settlement after 12 months	100,730	119,871
	117,120	136,826

All bank loans are denominated in rupiah and are stated above net of unamortised expenses of $4.8 million (2021: $6.8 million). The interest rate as at 31 December 2022 is 8.0 per cent (2021: 8.75 per cent). The weighted average interest rate in 2022 was 8.3 per cent (2021: 8.5 per cent). The gross bank loans of $122.0 million (2021: $143.7 million) are secured on certain land titles, PPE, biological assets and cash assets held by REA Kaltim, KMS and SYB having an aggregate book value of $159.4 million (2021: $163.8 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.

Under the terms of their 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 (2021: $3.2 million).

16. Sterling notes

The sterling notes comprise £30.9 million nominal of 8.75 per cent guaranteed 2025 sterling notes (2021: £30.9 million nominal) issued by the company's subsidiary, REA Finance B.V..

The sterling notes are due for repayment on 31 August 2025. A premium of 4p per £1 nominal of sterling notes will be paid 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 or before 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 ($37.2 million) is carried on the balance sheet net of the unamortised balance of the note issuance costs plus the amortised premium to date.

17. Dollar notes

	2022 $'000	2021 $'000
Dollar notes – repayable 2022	–	(26,985)
Dollar notes – repayable 2026	(26,412)	–
Dollar notes held in treasury	8,570	–

	(17,842)	(26,985)

The dollar notes comprise $27.0 million nominal of 7.5 per cent dollar notes 2026 net of $8.6 million nominal of dollar notes held in treasury (31 December 2021: $27.0 million nominal 7.5 per cent dollar notes 2022) and are carried in the balance sheet 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 (a wholly owned subsidiary of the company) 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 currently held by REAS is $8.6 million.

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

18. Other loans and payables

	2022 $'000	2021 $'000
Indonesian retirement benefit obligations	7,824	8,849
Lease liabilities	7,438	6,230
Loans from non-controlling shareholder	15,519	16,216
Payable under settlement agreement (see note 22)	3,736	3,736
	34,517	35,031
Repayable as follows:		
On demand or within one year (shown under current liabilities)	5,712	7,293
Between one and two years	3,721	13,361
Between two and five years	18,106	14,377
After five years	6,978	–
Amount due for settlement after 12 months	28,805	27,738
	34,517	35,031

19. Share capital

	2022 $'000	2021 $'000
Issued and fully paid (in dollars):		
72,000,000 – 9 per cent cumulative preference shares of £1 each (2021: 72,000,000)	116,516	116,516
43,963,529 – ordinary shares of 25p each (2021: 43,950,429)	18,075	18,071
132,500 – ordinary shares of 25p each held in treasury (2021: 132,500)	(1,001)	(1,001)
	133,590	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. On a winding up or other return of capital, the preference shares shall rank 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. Shares held by the company in treasury do not carry voting rights.

The company has outstanding 3,997,760 warrants to subscribe for ordinary shares (2021: 4,010,760 warrants). Each warrant entitles the holder to subscribe for one ordinary share at a subscription price of 126p per share on or before 15 July 2025. Holders of sterling notes exercising warrants may satisfy the subscription obligations by surrendering sterling notes (see note 16).

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 2021 and 31 December 2022	72,000,000	43,950,529
Issued during 2022	–	13,000
At 31 December 2022	72,000,000	43,963,529

There have been no changes in preference share capital or ordinary shares held in treasury during the current year.

On 22 April 2022, following receipt of a notice of exercise of 13,000 warrants, the company issued and allotted 13,000 new ordinary shares with a nominal value of 25p each fully paid at the subscription price of 126p per share.

20. Movement in net borrowings

	2022 $'000	2021 $'000
Change in net borrowings resulting from cash flows:		
(Decrease) / increase in cash and cash equivalents, after exchange rate effects	(24,978)	35,087
Net decrease / (increase) in bank borrowings	8,843	(27,045)
Dollar notes held in treasury	8,570	–
Decrease in borrowings from non-controlling shareholder	697	900
Net decrease in related party borrowings	51	4,068
	(6,817)	13,011
Amortisation of sterling note issue expenses and premium	(182)	(181)
Cost of extension of redemption date of dollar notes	252	–
Gain on extension of redemption date of dollar notes	495	–
Amortisation of dollar note issue expenses	(174)	(94)
Amortisation of bank loan expenses	(1,369)	(1,490)
	(7,795)	11,245
Currency translation differences	16,734	2,438
Net borrowings at beginning of year	(175,668)	(189,351)
Net borrowings at end of year	(166,729)	(175,668)

21. 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.

	2022 $'000	2021 $'000
Short term benefits	1,094	1,299

Loan from related party

During the year, R.E.A. Trading plc ("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 2022 were nil (2021: nil). The maximum amount loaned was $0.5 million (2021: $4.1 million). Total interest paid during the year was $30,000 (2021: $257,000). This disclosure is also made in compliance with the requirements of Listing Rule 9.8.4(10).

22. Restatement

The group has decided to restate certain comparatives to reflect adjustments to amounts included in the 2018 financial statements.

Pursuant to a share purchase agreement ("SPA") dated 25 April 2018 entered into between REA Kaltim (as the seller) and Kuala Lumpur Kepong Berhad ("KLK") (as the buyer) in respect of 95 per cent of the issued share capital of PT Putra Bongan Jaya ("PBJ"), REA Kaltim received a sale consideration that was calculated on the basis of the area planted with oil palms, as at the completion date, within PBJ's titled HGU land area. However, included with the planted area for determining the purchase consideration was a certain area of 372 (or more) hectares that had been planted with oil palms outside of the HGU, on land identified as being designated for plasma plantations within the plantation license of PBJ (the "Plasma land"). The SPA provided that the KLK would be compensated (i.e. the purchase price would be adjusted) up to a maximum amount of $4.0 million in the event that such Plasma land could not be converted to HGU land.

Pursuant to a Deed of Assignment dated 30 April 2018, KLK assigned its rights and obligations under the SPA to Agro Putra Pte. Ltd. which rights and obligations were further assigned on 8 June 2018 to Taiko Plantations Pte. Ltd. ("Taiko").

Pursuant to a Settlement Agreement entered into between REA Kaltim and Taiko dated 20 February 2019, following re-measurement of the area planted with oil palms, the maximum price adjustment was amended to become a maximum amount of $3.7 million.

Pursuant to a Second Settlement Agreement dated 20 February 2023 entered into between REA Kaltim, PBJ and KLK Plantations and Trading Pte. Ltd ("KPT") (formerly Taiko) the parties agreed that it would not be possible to convert the Plasma land to HGU land and that REA Kaltim would pay to KPT the total sum of $3.7 million as to $1.0 million on 15 March 2023, $1.0 million on 15 September 2023, $1.0 million on 15 September 2024 and $0.7 million on 15 March 2025.

The total amount payable, being an adjustment to the previously agreed purchase consideration, has been accounted for in full through Retained earnings, whilst the liability to KPT is included within Other loans and payables split between current and non-current liabilities.

The following table summarises the impact of the restatement on the primary consolidated statements as at 31 December and 1 January 2021. The restatement had no impact on the consolidated income statement or the consolidated cash flow statement.

Consolidated balance sheet extract

	31 Dec 2021 as reported $'000	Recognition of settlement $'000	**31 Dec 2021 restated $'000**	1 Jan 2021 as reported $'000	Recognition of settlement $'000	**1 Jan 2021 restated $'000**
Total assets	591,451	–	**591,451**	573,773	–	**573,773**
Current liabilities	(111,658)	–	**(111,658)**	(113,113)	–	**(113,113)**
Non-current liabilities	(233,399)	(3,736)	**(237,135)**	(214,844)	(3,736)	**(218,580)**
Total net assets	246,394	(3,736)	**242,658**	245,816	(3,736)	**242,080**
Share capital	133,586	–	**133,586**	133,586	–	**133,586**
Share premium account	47,358	–	**47,358**	47,358	–	**47,358**
Translation reserve	(25,101)	–	**(25,101)**	(25,833)	–	**(25,833)**
Retained earnings	69,721	(3,176)	**66,545**	71,680	(3,176)	**68,504**
Non-controlling interests	20,830	(560)	**20,270**	19,025	(560)	**18,465**
Total net assets	246,394	(3,736)	**242,658**	245,816	(3,736)	**242,080**

23. Rates of exchange

	2022 Closing	2022 Average	2021 Closing	2021 Average
Indonesian rupiah to US dollar	15,731	14,917	14,269	14,345
US dollar to pounds sterling	1.2056	1.2301	1.3499	1.3754

24. Events after the reporting period

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

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

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.

Other terms are listed in the glossary on page 145 of the annual report.

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Attachment

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