

Final Results - Replacement

RNS Number : 2775L
R.E.A.Hldgs PLC
24 April 2015

R.E.A. HOLDINGS PLC (the "company")

Correction to date of record of final dividend in respect of 2014 from 4 July 2014 to 3 July 2015

ANNUAL FINANCIAL REPORT

The company's annual report for the year ended 31 December 2014 (including notice of the annual general meeting to be held on 11 June 2015) (the "annual report") will shortly be available for downloading from the company's web site at www.rea.co.uk.

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 www.hemscott.com/nsm.do

The sections below entitled "Chairman's statement", "Dividends", "Risks and uncertainties" and "Directors' confirmation of responsibility" 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 of the notes to the financial statements below.

HIGHLIGHTS

Financial

- Revenues up 14 per cent driven by record crop production and material increases in throughput of smallholder fruit
- Operating profit of \$32.1 million, up 14 per cent (2013: \$28.1 million)
- Profit before tax of \$23.7 million (2013: \$25.2 million), notwithstanding generally weak CPO prices
- Estate operating costs unchanged notwithstanding increased crops and administrative expenses reduced by \$2.6 million
- Proposed final dividend of 3¼p per ordinary share (2013: 3¼p) making total dividends of 7¾p per ordinary share (2013: 7¼p); capitalisation issue in 2014 equivalent to slightly over 6p per ordinary share (2013: 6p)
- Net new investment of \$38.2 million (2013: \$33.5 million)

- 5.2 million preference shares issued by way of a placing raised \$10.6 million net of expenses, applied in reducing borrowings
- \$6.3 million of dollar notes 2012/14 redeemed

Agricultural operations

- Record production: crop of fresh fruit bunches ("FFB") 631,728 tonnes (2013: 578,785 tonnes) and crude palm oil ("CPO") 169,466 tonnes (2013: 147,649 tonnes) representing year on year increases of, respectively, 9 per cent and 15 per cent
- Land bank increased by purchases of two additional land allocations totalling 7,714 hectares, adjacent to existing land areas
- Recent satisfactory confirmation of land title should permit early completion of the agreed swap of land held by PT Praselia Utama for land currently held by PT Sasana Yudha Bhakti
- Good progress in the construction of perimeter bunding designed to manage water levels as a preliminary to the rapid development of new plantings on the land owned by PT Putra Bongan Jaya whilst planting continues on the higher ground
- Major refurbishment works during the year to ensure optimum standards in the mills
- Plans initiated for expansion of the third, newest oil mill at Satria to double its capacity by 2016
- Continuing programme of cost saving initiatives, including in-house production of compost and of materials for estate infrastructure
- A fully restructured management team now in place in Indonesia and Singapore

Stone quarry and coal operations

- Operating licence granted for the quarry which will produce crushed stone for group's road and building programmes and for sale to third parties
- Cooperation arrangement for mining of principal coal concession at Kota Bangun by a third party remains in place to permit resumption of mining when coal prices improve

Sustainability

- Compensation payments, community development programmes and smallholder land allocations covering substantial new development areas now agreed so that extension planting of both group and smallholder land can gain momentum
- Methane generated electricity now being supplied to the Indonesian state electricity company for distribution to 21 local villages
- Publication of the group's second detailed sustainability report due later in 2015

Prospects

- Continuing steady recovery and improvements in operational efficiency
- Good prospects for expansion planting in 2015
- Plans to list PT REA Kaltim Plantations, the Indonesian sub-holding company of the group's plantation operations, as soon as practicable

CHAIRMAN'S STATEMENT

The group achieved record production levels in 2014, reflecting the increasing volumes flowing through from the maturing estates augmented by higher throughput of smallholder fruit. Volumes of oil palm fresh fruit bunches ("FFB") and crude palm oil ("CPO") were, respectively, 9 per cent and 15 per cent ahead of 2013.

The results reflected net overall mark to market gains on produce inventory and biological assets some \$5.8 million lower than in 2013 and a reduction in gains from exchange rate movements of \$7.6 million as compared with the preceding year. The average price of CPO per tonne, CIF Rotterdam, in

2014, was \$816 per tonne, against \$856 in 2013, but the average price realised by the group for its own CPO production was higher at \$665 per tonne against \$648 per tonne. This was in part due to lower export duties but also took account of the improved quality of 2014 CPO production.

Good progress was made in the estate operations with costs well controlled during the year. A number of new initiatives were introduced in 2014, including in-house production of compost and of materials for estate infrastructure. These will have an ongoing positive impact on production costs. The recent recruitment of a senior expatriate to head the transport and logistics operations has further strengthened the management team on the estates. In the mills, extensive refurbishment to ensure optimum standards led to a temporary reduction in processing capacity and to some harvesting delays during the second half of the year. The refurbishment programme is now having a discernible impact on the rates of oil extraction.

Extension planting of both the group's land and smallholder land should now proceed at a much faster pace than in the last two years as significantly improved relations with local communities, based on a more consistent and systematic approach, has allowed the group to progress land compensation payments.

To this end, new planting on the higher ground in the land areas of the group company, PT Putra Bongan Jaya ("PBJ"), started towards the end of 2014 and is continuing. Planting up of the low lying areas of PBJ will start shortly as the group can now be confident that the perimeter bunding that is currently under construction to control flooding during the wetter months of the year will be completed well ahead of the next wet season. Some 7,000 hectares are available for planting at PBJ and nurseries are already in place with sufficient seedlings to complete this development. With little land clearing and terracing needed, planting at PBJ should be rapid and very economic. Further significant areas are also now becoming available for planting in the group company, PT Cipta Davia Mandiri.

The group added to its land allocations in 2014 with the purchase of a further 7,714 hectares in the vicinity of the existing land areas. Following recent satisfactory confirmation of the land title in respect of the land held by PT Prasetya Utama ("PU"), which is to be swapped for land currently held by the group company, PT Sasana Yudha Bhakti, documentation is now being progressed to complete the swap. Concurrently, due diligence is being conducted to establish the PU areas to be designated for conservation. Upon completion of the swap, the group's fully titled land bank will total 76,127 hectares with a further 35,419 hectares subject to completion of titling. The directors believe that these areas will support planting of an eventual 60,000 hectares (including existing planted areas) and more if full title can be obtained for the one conditional land allocation of 12,050 hectares that the group holds.

The group continued to generate renewable energy from its methane capture plants to provide power for its operations throughout 2014, largely eliminating the need for diesel generated power on the group's principal estates. Following an inauguration ceremony on 16 April 2015, the group is also supplying electricity to the Indonesian state electricity company for distribution to local villages, enhancing the socio-economic benefits to the communities local to the group's operations.

An operating licence has now been obtained to establish a quarry on the group's stone concession with a view to producing stone for the agricultural operations and for sale to third parties. Contractual arrangements for the provision of quarry services, together with permissions for upgrading of the access road, are under negotiation. Cooperation arrangements for mining the group's principal coal concession by a third party remain in place to permit resumption of mining when coal prices improve.

The early months of 2015 have seen generally lower oil palm crops throughout East Kalimantan and Malaysia and the group's crops have reflected this trend. Crops for April to-date are showing an improvement and the directors are confident that crops will return to normal levels. More challenging are the CPO price, which remains weak, and the recent move by the Indonesian government to impose a levy of \$50 per tonne on CPO exports. This levy will be applied in subsidising Indonesian biodiesel production and may well lead, in due course, to higher CPO prices. At such higher prices, export duty will be payable under the existing Indonesian sliding scale of duty and the new export levy will be offset against such duty. However, current CPO prices are below the level at which export duty starts to become payable so that, until prices rise, the new export levy will represent an unwelcome additional cost to the group.

A more positive development for the group's markets is a recent move by the EU to ban the sale of products containing trans-fats. Trans-fats occur when vegetable oils are artificially hardened by hydrogenation. Soybean oil, rape oil and sunflower oil all require hardening before they can be used for shortening and other solid fat applications but CPO does not. This latest move by the EU can therefore be expected to result in some substitution of CPO for other vegetable oils.

With the continuing improvement in operational efficiencies, increasing planted hectareage and a restructured, strong and experienced management team in place in Indonesia and Singapore, the directors expect that further cost savings will be achievable and that the group will continue to generate good operating margins. The directors are pushing ahead with plans for a public offering of a minority shareholding in the principal operating subsidiary, PT REA Kaltim Plantations ("REA Kaltim"), combined with a listing of REA Kaltim's shares on the Indonesia Stock Exchange in Jakarta. They are also exploring the possibility of a placing of REA Kaltim shares ahead of a listing in order to ensure the availability of funds to continue the extension planting programme pending listing.

The directors recommend the payment of a maintained final dividend in respect of 2014 of 3¾p per ordinary share, to give a total dividend for the year of 7¾p per ordinary share (2013: 7¼p).

Finally, and with some sadness, I have to advise shareholders that this will be my last chairman's statement as I shall be retiring as chairman at the end of the year following my seventieth birthday in December. John Oakley will be stepping down as group managing director at the same time. David Blackett will be succeeding me as chairman and, as long planned, Mark Parry will assume the managing directorship. John Oakley and I will remain on the board of the company as non-executive directors and, for a transitional period, will undertake some additional responsibilities overseeing completion, in John Oakley's case, of the group's new information systems and, in my case, of the Jakarta listing of REA Kaltim. My family's significant shareholding in the company will continue to support the development of the group.

DIVIDENDS

The fixed semi-annual dividends on the 9 per cent cumulative preference shares that fell due on 30 June and 31 December 2014 were duly paid. An interim dividend in respect of 2014 of 4p per ordinary share was paid in January 2015 and the directors recommend the payment of a final dividend in respect of 2014 of 3¾p per ordinary share to be paid on 24 July 2015 to ordinary shareholders on the register of members on 3 July 2015. The total dividend payable per ordinary share during 2015 in respect of 2014 will thus amount to 7¾p. This compares with the total paid during 2014 in respect of

2013 of 7¼p. In addition, the company made a capitalisation issue of 2,105,116 new preference shares to ordinary shareholders on 26 September 2014 on the basis of 3 new preference shares for every 50 ordinary shares held (2013: 2,105,116 new preference shares on the basis of 3 new preference shares for every 50 ordinary shares held).

ANNUAL GENERAL MEETING

The fifty-fifth annual general meeting of R.E.A. Holdings plc will be held at the London office of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA on 11 June 2015 at 10.00 am.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Those risks and uncertainties that the directors currently consider to be material are described below. There are or may be other risks and uncertainties faced by the group that the directors currently deem immaterial, or of which they are unaware, that may have a material adverse impact on the group.

Material risks, related policies and the group's successes and failures with respect to environmental, social and governance matters and the measures taken in response to any failures are described in more detail under "Sustainability" in the Strategic report.

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

Potentially significant risks are detailed below under "Produce prices", "Community relations" and "Country exposure". The "Community relations" risk is thought to be reducing as detailed under "Community relations" in "Sustainability" in the Strategic report but the "Produce prices" and "Country exposure" risks may be increasing as a result of declining prices for the group's produce and signs of pressure for increased local participation in Indonesian oil palm operations.

Risk	Potential impact	Mitigating or other relevant considerations
Agricultural operations		
<i>Climatic factors</i>		
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;	Operations are located in an area of high rainfall

	the reduction is likely to be broadly proportional to the cumulative size of the water deficit	
Overcast conditions	Delayed crop formation resulting in loss of potential revenue	Normal sunshine hours in the location of the operations are well suited to the cultivation of oil palm
Low levels of rainfall disrupting river transport or, in an extreme situation, bringing it to a standstill	Inability to obtain delivery of estate supplies or to evacuate CPO and CPKO (possibly leading to suspension of harvesting)	The group is developing alternative routes to and from its estates (including licences to access third party owned roads and establishment of a permanent downstream loading facility)
Cultivation risks		
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 is investing to improve its self-reliance in relation to fuel and fertiliser
A hiatus in 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 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 transshipment 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 resulting in a loss of potential revenue	The group's bulk storage facilities have substantial capacity and further storage facilities are afforded by the fleet of barges. Together, these have hitherto always proved adequate to meet the group's requirements for CPO and CPKO storage
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	Reduced revenue from the sale of CPO and CPKO production and a consequent reduction in cash flow and profit	Price swings 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

levels of inflation and interest rates		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 duties (as has occurred in the past for short periods)	Reduced revenue from the sale of CPO and CPKO production and a consequent reduction in cash flow and profit	The Indonesian government allows the free export of CPO and CPKO but applies a sliding scale of duties on exports which allows producers economic margins. The recent extension of this sliding scale to incorporate a new \$50 per tonne export levy to fund biodiesel subsidies may be regarded as a measure to support CPO and CPKO producers
Distortion of world markets for CPO and CPKO by the imposition of import controls or taxes in consuming countries	Depression of selling prices for CPO and CPKO if arbitrage between markets for competing vegetable oils proves insufficient to compensate for the market distortion created	The imposition of controls or taxes on CPO or CPKO in one area can be expected to result in greater consumption of alternative vegetable oils within that area and the substitution outside that area of CP 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 substantial fully titled or allocated land areas suitable for planting. It works continuously to obtain and maintain up to date 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 the planned extension planting programme
A shortfall in achieving the group's planned extension planting programme impacting negatively the annual revaluation of the group's biological assets	A reduction in reported profit and a possible adverse effect on market perceptions as to the value of the company's securities	Movements on the annual revaluation of the group's biological assets do not affect the group's underlying cash flow
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 that have been previously logged and 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 village and the agricultural operations. In particular, the group gives priority to applications for employment from members of the local population, encourages local farmers and tradesmen to act as suppliers to the group, its employees and their dependents and promotes smallholder development of oil palm plantings
Disputes over compensation payable for land areas allocated to the group that were previously used by local communities for the cultivation of crops or as respects which local communities otherwise have rights	Disruption of operations, including blockages restricting access to the area the subject of the disputed compensation	The group has established standard procedures to ensure fair and transparent compensation negotiations and encourages the local authorities, with whom the group has developed good relations and who are therefore generally supportive of the group, to assist in mediating settlements
Individuals party to a compensation agreement subsequently denying or disputing aspects of the agreement	Disruption of operations, including blockages restricting access to the areas the subject of the compensation disputed by the affected individuals	Where claims from individuals in relation to compensation agreements are found to have a valid basis the group seeks to agree a new compensation arrangement; where such claims are found to be falsely based the group encourages appropriate action by the local authorities
Stone and coal operations		
Operational factors		
Failure by external contractors to achieve agreed production volumes	Loss of prospective revenue	The group endeavours to use experienced contractors, to supervise them closely and to take care to ensure that they have equipment of capacity appropriate to the planned production volumes
External factors, in particular weather, delaying or preventing delivery of extracted stone and coal	Delays to receipt or loss of revenue	Deliveries are not normally time critical and 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	The group seeks to ensure the accuracy of geological assessments by drilling ahead of any extraction programme and taking expert geological advice on drilling results
Prices		
Volatility of international coal prices and competition reducing stone prices	Reduced revenue and a consequent reduction in cash flow and profit	The cooperation arrangement negotiated for the mining of the group's main coal concession

		provides a minimum floor price for the coal mined. In relation to stone there are currently no other stone quarries in the vicinity of the group's concession and the cost of transporting stone should restrict competition
Imposition of additional royalties or duties on the extraction of stone or coal	Reduced revenue and a consequent reduction in cash flow and profit	The Indonesian government has not to date imposed measures that would seriously affect the viability of Indonesian stone quarrying or coal mining operations
Unforeseen variations in quality of deposits	Inability to supply product within the specifications that are, at any particular time, in demand with consequent loss of revenue	Geological assessments ahead of commencement of extraction operations should have identified any material variations in quality
<i>Environmental, social and governance practices</i>		
Failure by the stone and coal operations to meet the expected standards	Reputational and financial damage	The areas of the stone and coal concessions are relatively small and should not be difficult to supervise. The group is 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
General		
<i>Currency</i>		
Strengthening of sterling or the Indonesian rupiah against the dollar	Adverse exchange movements on those components of group costs and funding that arise in Indonesian rupiah or sterling and are not hedged against the dollar	As respects costs and sterling denominated shareholder capital, the group considers that this risk is inherent in the group's business and its structure and must simply be accepted. As respects borrowings, where efficient 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
<i>Counterparty risk</i>		
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. Export sales are made either against letters of credit or on the basis of cash against documents
<i>Regulatory exposure</i>		

Failure to renegotiate the existing arrangements relating to the stone and coal interests	Limitation of the group's return from these interests to the loans advanced	Recent changes in legislation in Indonesia limited foreign investment in mining concessions
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	Save as noted above regarding interests in stone and coal, the directors are not aware of any specific changes that would adversely affect the group to a material extent; recent changes introduced to limit 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 mining concessions (including conditions requiring utilisation of the rights and concessions) or failure to maintain all permits and licences required for the group's operations	Civil sanctions and, in an extreme case, loss of the affected rights or concessions	The group endeavours to ensure compliance with the continuing conditions attaching to its land rights and the mining concessions and that its activities 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 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
<i>Country exposure</i>		
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 profits from Indonesia to the UK with potential consequential negative implications for the servicing of UK obligations and payment of dividends; loss of effective management control	The directors are not aware of any circumstances that would lead them to believe that, under current political conditions, any Indonesian government authority would impose exchange controls or otherwise seek to restrict the group's freedom to manage its operations
Mandatory reduction of foreign ownership of Indonesian plantation operations	Forced divestment of interests in Indonesia at below market values with consequential loss of value	The group accepts there is a significant possibility that foreign owners may be required over time

		partially divest ownership of Indonesian oil palm operations but has no reason to believe that such divestment would be at anything other than market value. The group aims to mitigate such risk by listing REA Kaltim on the Indonesia Stock Exchange in Jakarta
Miscellaneous relationships		
Disputes with staff and employees	Disruption of operations and consequent loss of revenues	The group appreciates its material dependence upon its staff and employees and endeavours to manage this dependence in accordance with international employment standards as detailed under "Employees" in "Sustainability" in the Strategic report
Breakdown in relationships with the local shareholders in the company'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 a material negative impact on the value of the stone and coal operations because the concessions are at the moment 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

DIRECTORS' CONFIRMATION OF RESPONSIBILITY

The directors are responsible for the preparation of the annual report.

To the best of the knowledge of each of the directors:

- the financial statements, prepared in accordance with the 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" section of 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 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 2014

	2014	2013
	\$'000	\$'000
Revenue	125,865	110,515
Net (loss)/gain arising from changes in fair value of agricultural produce inventory	(1,692)	5,115
Cost of sales	(77,914)	(69,915)
Gross profit	46,259	41,115
Net gain arising from changes in fair value of biological assets	3,571	7,115
Other operating income	2	1,115
Distribution costs	(1,325)	(1,215)
Administrative expenses	(16,391)	(18,915)
Operating profit	32,116	28,015
Investment revenues	398	415
Finance costs	(8,770)	(3,315)
Profit before tax	23,744	25,215
Tax	(1,763)	(12,515)
Profit for the year	21,981	12,615
Attributable to:		
Ordinary shareholders	14,153	5,415
Preference shareholders	8,140	7,215
Non-controlling interests	(312)	(1,015)
	21,981	12,615
Earnings per 25p ordinary share	40.3 cents	15.8 cents

All operations for both years are continuing

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

	2014	2013
	\$'000	\$'000
Non-current assets		
Goodwill	12,578	12,515
Biological assets	310,175	288,115
Property, plant and equipment	151,172	146,915
Prepaid operating lease rentals	33,879	30,415
Indonesian stone and coal interests	31,334	30,415
Deferred tax assets	8,909	9,515
Non-current receivables	2,749	2,215
Total non-current assets	550,796	520,415

Current assets		
Inventories	16,180	17,3
Trade and other receivables	25,487	28,6
Cash and cash equivalents	16,224	34,5
Total current assets	57,891	80,5
Total assets	608,687	600,9
Current liabilities		
Trade and other payables	(17,818)	(16,9
Current tax liabilities	(2,581)	(2,9
Bank loans	(40,326)	(35,0
Sterling notes	(14,693)	
US dollar notes	-	(5,9
Hedging instruments	(9,590)	
Other loans and payables	(1,238)	(9
Total current liabilities	(86,246)	(61,7
Non-current liabilities		
Bank loans	(60,638)	(62,2
Sterling notes	(37,713)	(55,7
US dollar notes	(33,472)	(33,4
Preference shares issued by a subsidiary	-	(
Hedging instruments	-	(7,8
Deferred tax liabilities	(77,191)	(73,4
Other loans and payables	(6,802)	(6,9
Total non-current liabilities	(215,816)	(239,7
Total liabilities	(302,062)	(301,5
Net assets	306,625	299,4
Equity		
Share capital	112,974	101,5
Share premium account	23,366	25,1
Translation reserve	(44,324)	(32,5
Retained earnings	212,928	203,2
	304,944	297,4
Non-controlling interests	1,681	2,0
Total equity	306,625	299,4

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

2014
\$'000

20
\$'0

Profit for the year	21,981	12,6
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Actuarial losses	(212)	(1
Deferred tax on actuarial losses	42	
	(170)	(1
Items that will not be reclassified to profit or loss: instrument		
Exchange differences on translation of foreign operations	(8,429)	(12,3
Exchange differences on deferred tax	(3,383)	(15,2
	(11,982)	(27,7
Total comprehensive income for the year	9,999	(15,0
Attributable to:		
Ordinary shareholders	2,171	(22,4
Preference shareholders	8,140	7,2
Non-controlling interests	(312)	
	9,999	(15,0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	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 2013	97,565	18,680	(4,854)	201,630	313,021	2,009	315,030
Total comprehensive income	-	-	(27,695)	12,625	(15,070)	21	(15,049)
Correction to share premium	-	7	-	-	7	-	7
Issue of new ordinary shares (cash)	641	9,878	-	-	10,519	-	10,519
Issue of new preference shares (scrip)	3,404	(3,404)	-	-	-	-	-
Purchase of treasury shares	(36)	-	-	-	(36)	-	(36)
Dividends to preference shareholders	-	-	-	(7,291)	(7,291)	-	(7,291)
Dividends to ordinary shareholders	-	-	-	(3,739)	(3,739)	-	(3,739)
At 31 December 2013	101,574	25,161	(32,549)	203,225	297,411	2,030	299,441

Total comprehensive income	-	-	(11,775)	22,123	10,348	(349)	9,999
Issue of new preference shares (cash)	8,946	1,618	-	-	10,564	-	10,564
Issue of new preference shares (scrip)	3,420	(3,420)	-	-	-	-	-
Purchase of treasury shares	(966)	7	-	-	(959)	-	(959)
Dividends to preference shareholders	-	-	-	(8,140)	(8,140)	-	(8,140)
Dividends to ordinary shareholders	-	-	-	(4,280)	(4,280)	-	(4,280)
At 31 December 2014	<u>112,974</u>	<u>23,366</u>	<u>(44,324)</u>	<u>212,928</u>	<u>304,944</u>	<u>1,681</u>	<u>306,625</u>

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	\$'000	\$'000
Net cash from operating activities	<u>24,392</u>	<u>7,700</u>
Investing activities		
Interest received	398	4,200
Proceeds from disposal of property, plant and equipment	-	-
Purchases of property, plant and equipment	(14,892)	(12,000)
Expenditure on biological assets *	(18,522)	(16,700)
Expenditure on prepaid operating lease rentals	(4,261)	(4,200)
Investment in Indonesian stone and coal interests	(897)	(9,000)
Net cash used in investing activities	<u>(38,174)</u>	<u>(33,500)</u>
Financing activities		
Preference dividends paid	(8,140)	(7,200)
Ordinary dividends paid	(4,280)	(3,700)
Repayment of borrowings	(30,715)	(5,000)
Proceeds of issue of ordinary shares	-	10,500
Purchase of treasury shares, net of sales	(959)	(1,000)
Proceeds of issue of preference shares	10,564	-
Redemption of US dollar notes	(6,310)	(9,600)
Payment to close out hedging contract	(41)	(1,800)
Net sale and repurchase of US dollar notes	-	1,200
New bank borrowings drawn	35,419	57,600
Net cash (used in)/from financing activities	<u>(4,462)</u>	<u>41,700</u>

Cash and cash equivalents

Net (decrease)/ increase in cash and cash equivalents	(18,244)	9,0
Cash and cash equivalents at beginning of year	34,574	26,3
Effect of exchange rate changes	(106)	(8)
Cash and cash equivalents at end of year	16,224	34,5

* Net of capitalised depreciation and amortisation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. Basis of preparation**

The accompanying financial statements and notes 1 to 14 below (together the "accompanying financial information") have been extracted without material adjustment from the financial statements of the group for the year ended 31 December 2014 (the "2014 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. Copies of the 2014 financial statements will be filed in the near future with the Registrar of Companies. The accompanying financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 of the company.

Whilst the 2014 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as at the date of authorisation of those accounts, the accompanying financial information does not itself contain sufficient information to comply with IFRS.

The 2014 financial statements and the accompanying financial information were approved by the board of directors on 23 April 2015.

2. Revenue

	2014	2013
	\$'000	\$'000
Sales of goods	124,538	108,3
Revenue from services	1,327	2,1
	125,865	110,5
Other operating income	2	
Investment income	398	4
Total revenue	126,265	111,0

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 operations. In 2014 and 2013, the latter did not meet the quantitative thresholds set out in IFRS 8 "Operating segments" and, accordingly, no analyses are provided by business segment.

2014
\$'m

Sales by geographical location:		
Indonesia	125.9	11
Rest of Asia	-	
	125.9	11

Carrying amount of net assets by geographical area of asset location:

UK, Continental Europe and Singapore	58.0	5
Indonesia	248.6	24
	306.6	29

4. Agricultural produce inventory movement

The net (loss)/gain arising from changes in fair value of agricultural produce inventory represents the movement in the fair value of that inventory less the amount of the movement in such inventory at historic cost (which is included in cost of sales).

5. Administrative expenses

	2014	20
	\$'000	\$'0
Net foreign exchange (gains)/losses	(391)	
Net charge for additional pension contributions	314	2
Loss/(gain) on disposal of fixed assets	484	(
Indonesian operations	13,794	16,5
Head office	5,587	5,5
	19,788	22,4
Amount included as additions to biological assets	(3,397)	(3,4
	16,391	18,9

6. Finance costs

	2014	20
	\$'000	\$'0
Interest on bank loans and overdrafts	4,869	5,4
Interest on US dollar notes	3,438	4,0
Interest on sterling notes	5,414	5,5
Change in value of sterling notes arising from exchange fluctuations	(3,350)	1,0
Movements relating to derivative financial instruments	2,404	(2,9
Change in value of loans arising from exchange fluctuations	(354)	(6,2
Other finance charges	(402)	2
	12,019	7,1
Amount included as additions to biological assets	(3,249)	(3,8
	8,770	3,3

Amounts included as additions to biological assets and construction in progress arose on borrowings applicable to the Indonesian operations and reflected a capitalisation rate of 16.8 per cent (2013: 55.1 per cent); there is no directly related tax relief.

7. Tax

	2014 \$'000	2013 \$'000
Current tax:		
UK corporation tax	-	3,000
Foreign tax	7,711	1,711
Prior year	(7,000)	-
Total current tax	711	2,111
Deferred tax:		
Current year	2,063	8,000
Change in UK tax rate	-	2,000
Prior year	(1,011)	2,111
Total deferred tax	1,052	10,311
Total tax	1,763	12,522

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 25 per cent (2013: 25 per cent) and for the United Kingdom, the taxation provision reflects a corporation tax rate of 21.5 per cent (2013: 23.25 per cent) and a deferred tax rate of 20 per cent (2013: 20 per cent).

8. Earnings per share

	2014 \$'000	2013 \$'000
Earnings for the purpose of earnings per share*	14,153	5,400

* being net profit attributable to ordinary shareholders

	2014 '000	2013 '000
Weighted average number of ordinary shares for the purposes of earnings per share	35,085	34,400

9. Dividends

	2014 \$'000	2013 \$'000
Amounts paid and recognised as distributions to equity holders:		
Preference dividends of 9p per share	8,140	7,200

Ordinary dividends of 7.25p per share (2013: 7p)	4,280	3,7
	<u>12,420</u>	<u>11,0</u>

10. Biological assets

	2014	2013
	\$'000	\$'000
Beginning of year	288,180	265,6
Additions to planted area and costs to maturity	20,617	17,3
Transfers to property, plant and equipment	(2,095)	
Transfers to non-current receivables	-	(1,9
Transfers to current receivables	(98)	
Net biological gain	3,571	7,1
	<u>310,175</u>	<u>288,1</u>
End of year		
Net biological gain comprises:		
Fair value of crops harvested during the year	(87,647)	(66,7
Gain arising from movement in fair value attributable to other physical changes	76,808	60,6
Gain arising from movement in fair value attributable to price changes	14,410	13,2
	<u>3,571</u>	<u>7,1</u>

The fair value determination assumed a discount rate of 15 per cent in the case of PT REA Kaltim Plantations ("REA Kaltim") and PT Sasana Yudha Bhakti ("SYB"), 16.5 per cent in the case of PT Kutai Mitra Sejahtera ("KMS") and 18 per cent in the case of all other group companies (2013: 15 per cent in the case of REA Kaltim and SYB and 18 per cent in the case of all other group companies) and a standard unit margin of \$60.9 per tonne of oil palm fresh fruit bunches ("FFB") (2013: standard unit margin of \$58.0 per tonne of FFB).

The valuation of the group's biological assets would have been reduced by \$10,370,000 (2013: \$15,370,000) if the crops projected for the purposes of the valuation had been reduced by 5 per cent; by \$9,030,000 (2013: \$14,370,000) if the discount rates assumed had been increased by 1 per cent and by \$20,650,000 (2013: \$26,530,000) if the assumed unit profit margin per tonne of oil palm FFB had been reduced by \$5.

Because substantially the entire business of the group consists of agricultural activities, the group's financial risk management strategies relating to agricultural activities are the same as its overall financial risk management strategies. At 31 December 2014, the group had no outstanding forward sale contracts at fixed prices (2013: none).

At the balance sheet date, biological assets of \$164 million (2013: \$162 million) had been charged as security for bank loans but there were otherwise no restrictions on titles to the biological assets (2013: none). Expenditure approved by the directors for the development of immature areas in 2015 amounts to \$26 million (2013: \$15 million).

10. Capital expenditure on property, plant and equipment and capital commitments

During the year, there were additions to property, plant and equipment of \$12,797,000 (2013: \$12,027,000).

At the balance sheet date, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to \$3,873,000 (2013: \$6,469,000).

11. Issuance of equity securities

Changes in share capital:

- on 1 July 2014, 5,210,000 preference shares were issued, fully paid, by way of a placing at £1.20 a share (total consideration £6,252,000 - \$10,735,000)
- on 26 September 2014, 2,105,116 9 per cent cumulative preference shares were issued, credited as fully paid, to ordinary shareholders by way of capitalisation of share premium account

12. Movement in net borrowings

	2014	2013
	\$'000	\$'000
Change in net borrowings resulting from cash flows:		
(Decrease)/increase in cash and cash equivalents	(18,244)	9,000
Net increase in borrowings	(4,704)	(52,600)
	(22,948)	(43,500)
Issue of preference shares	10,564	
Redemption of US dollar notes, net of amortisation of issue expenses	6,310	9,300
Net sale and repurchase of US dollar notes	-	(1,200)
	(6,074)	(35,400)
Currency translation differences	1,555	(1,700)
Net borrowings at beginning of year	(166,099)	(128,800)
Net borrowings at end of year	(170,618)	(166,000)

13. Related parties

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. 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".

	2014	2013
	\$'000	\$'000
Short term benefits	2,112	2,000
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
	2,112	2,000

14. Events after the reporting period

An interim dividend of 4p per ordinary share in respect of the year ended 31 December 2014 was paid on 23 January 2015. In accordance with IAS 10 "Events after the reporting period" this dividend, amounting in aggregate to \$2,124,000, has not been reflected in these financial statements.

In February 2015 a subsidiary company was notified by the Supreme Court of Indonesia that the Indonesian tax authorities had applied to the Supreme Court of Indonesia for a judicial review of the decision of the Jakarta Tax Court in May 2014 in favour of the subsidiary.

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