R.E.A. Holdings plc: Annual report in respect of 2023

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25-Apr-2024 / 07:00 GMT/BST

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

ANNUAL FINANCIAL REPORT 2023

The company's annual report for the year ended 31 December 2023 (including notice of the AGM to be held on 6 June 2024) (the **annual report**) will shortly be available for downloading from www.rea.co.uk/investors/financial-reports.

A copy of the notice of AGM 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

- Implementation of several strategic initiatives to streamline the group structure and reduce net indebtedness

- Subscription of further shares in REA Kaltim by the DSN group in March 2024 for estimated consideration of in excess of $50 million, increasing DSN’s investment in the operating sub-group from 15 per cent to 35 per cent

- Potential divestment of CDM based on a value for CDM’s business of some $25 million

- Minority interests in subsidiaries bought out and inactive subsidiaries divested, helping to reduce administrative costs

- Planned simplification of ownership of stone, sand and residual coal interests, including implementation of original agreement with ATP's shareholders to acquire substantial equity participation in ATP

Financial

- Revenue reduced by 15 per cent to $176.7 million (2022: $208.8 million) primarily reflecting lower CPO and CPKO prices

- Average selling prices (net of export duty and levy) 13 per cent lower for CPO at $718 per tonne (2022: $821) and 37 per cent lower for CPKO at $749 per tonne (2022: $1,185)

- Estate operating cost increases below local inflation despite higher fertiliser and workforce expenses

- EBITDA for the year of $43.6 million (2022: $69.1 million), encompassing a significant improvement in the second half of $28.1 million, compared with the first half of $15.5 million despite lower prices in the second half

- Loss before tax of $29.2 million (2022: profit before tax of $42.0 million), following losses on disposals of subsidiaries and similar charges of $26.0 million

- Group net indebtedness at end 2023 $178.2 million (2022: $166.7 million) but contract liabilities (representing pre-sale advances from customers) reduced to $17.1 million (2022: $25.9 million)

- All outstanding arrears of preference dividend totalling 11.5p per preference share paid in April 2024

Agricultural operations

- FFB production of 762,260 tonnes (2022: 765,682) on hectarage reduced by some 1,000 hectares due to the replanting programme

- Replanting and extension planting of, respectively, 741 and 491 hectares

- Yields per mature hectare increased to: FFB 22.4 tonnes (2022: 21.6 tonnes) and CPO 5.0 tonnes (2022: 4.8 tonnes)

Stone, sand and coal

- Production of crushed stone at ATP's stone concession commenced and sales now starting

- Licences being finalised for sand mining by MCU and arrangements with contractor agreed

- Coal operations inactive, with intention to withdraw from interest in coal

Environmental, social and governance

- Increased score in the SPOTT assessment by the Zoological Society of London of 88.7 per cent, up from 87.0 per cent (ranked 12th out of 100 companies assessed)

- Arrangements progressing to separate processing of fully certified FFB to permit sales of segregated certified CPO, normally commanding a greater price premium

- Developing projects with smallholders to encourage and improve the sustainable component of the group's supply chain and promote sustainable palm oil production

- New medical centre inaugurated on the estates – awarded the highest level of accreditation by the Indonesian department of health

- Award from the East Kalimantan Province for best management of an area with high conservation value within a plantation designated area in recognition of the group's dedication to conservation

Outlook

- CPO prices firm and expected to remain at remunerative levels as limited availability of land and increasing regulatory restrictions constrain expansion of oil palm hectarage

- ESG initiatives to be channelled into achieving increasing premia for selling certified CPO

- Stone and sand interests to start contributing to group profits with stone also providing a resource for infrastructure in the agricultural operations

- Recent strategic initiatives combined with efficiency savings and reduced financing costs should improve cash flows from core operations and permit further reductions in group net indebtedness whilst the group continues to improve and expand the oil palm operations

CHAIRMAN'S STATEMENT

In 2023 the directors implemented several strategic initiatives with the objective of addressing the legacy of excessive net indebtedness. Such debt levels had resulted from a series of operational challenges faced by the group some years ago and, against the background of current interest rates and credit conditions, were increasingly viewed as too high.

First, the structure of REA Kaltim, the main operating sub-group, was simplified with the acquisition of the 5 per cent third party interests in the group’s previously 95 per cent held subsidiaries, thereby helping to reduce administrative costs. Such acquisitions were made possible by the recent removal of an Indonesian requirement for 5 per cent local ownership of all Indonesian companies engaged in oil palm cultivation. Concurrently, three minor or inactive subsidiary companies were divested.

Second, in November, a conditional agreement was reached with the DSN group to increase the latter's equity interest in REA Kaltim from 15 per cent to 35 per cent by way of a subscription of further shares for a consideration estimated at $52 million. In conjunction with this proposal, it was agreed that the DSN group would be granted a priority right to acquire CDM, the group’s most outlying estate, and that the company would purchase 100 per cent of PU, the group’s new development estate, such that the DSN group would no longer hold an indirect interest, through REA Kaltim, in PU. These proposals were approved at the general meeting of shareholders in February 2024 and closing of the further DSN subscription, including the financial settlements then due, was completed in March 2024. The intra-group sale and purchase of PU was also completed in March affording the group the whole of any profit that can be realised from this new development estate.

To allow time for further discussion, the date for the DSN group to exercise its priority right for the purchase of CDM has been extended to the end of June 2024. Should DSN not exercise this priority right, the directors intend to pursue an alternative sale of CDM for which the group has received expressions of firm interest from unrelated third parties.

While the DSN subscription has diluted the company's interest in REA Kaltim from 85 per cent to 65 per cent, it has provided an immediate and substantial cash injection to the group and permits the group to retain its core operations without disruption of the management of those operations. In addition, the sale of CDM, when concluded, should relieve the group of the need to fund further significant investment that is required to realise CDM's potential and permit the continuing group to focus its financial resources and management on its remaining plantings which will be more concentrated within a single geographical area.

In the agricultural operations, group FFB production in 2023 at 762,260 was broadly in line with 2022, notwithstanding the reduction in the group’s mature hectarage as a result of some 1,000 hectares being cleared for replanting. As is normal, crops were weighted to the second half of the year although, unusually, there was no pronounced peak in the fourth quarter, probably as a consequence of lower rainfall earlier in the year. Purchases of third party FFB totalled 231,823, almost 7 per cent lower than in 2022 reflecting competition from other mills offering enhanced payment terms at the beginning of the year. Third party volumes returned to normal levels in the second quarter after an adjustment to the prices and terms that the group was offering for such fruit.

Production of CPO, CPKO and palm kernels for 2023 amounted respectively to 209,994 tonnes (2022: 218,275 tonnes), 19,393 tonnes (2022: 18,206 tonnes) and 47,324 tonnes (2022: 46,799 tonnes). In the first half, a high number of rain days impacted harvesting rounds and field efficiencies leading to a lower CPO extraction rate of 21.9 per cent in the first half of the year. Tighter field disciplines, including targeted loose fruit recovery, contributed to a welcome improvement in the CPO extraction rate at 22.3 per cent for the second half.

The substantial investment in recent years in the group’s three oil mills has resulted in greater operating reliability and sufficient processing capacity for the group’s own and expected third party FFB for some years to come. Oil losses in the group’s mills have been comfortably below industry standards for some time.

FFB and CPO yields per mature hectare averaged, respectively, 22.4 tonnes and 5.0 tonnes, an improvement on 2022 yields of, respectively 21.6 tonnes and 4.8 tonnes.

Replanting and extension planting continued through 2023 totalling, respectively, 741 hectares and 491 hectares. A further 286 hectares had been prepared for planting or replanting at the start of 2024. Replanting and extension planting of approximately 1,345 and 1,000 hectares, respectively, are planned to be completed in 2024.

The CPO price, CIF Rotterdam, opened the year at $1,090 per tonne but weakened progressively through the first six months to a low of $855 per tonne in early June 2023. The second half of the year saw prices rally and recover to a level of $946 per tonne by the end of 2023.

The average selling price for the group’s CPO during 2023, including premia for certified oil but net of export duty and levy, adjusted to FOB Samarinda, was $718 per tonne, 12.6 per cent lower than the average price of $821 per tonne in

2022. The average selling price for the group's CPKO, on the same basis, was 36.8 per cent lower in 2023 at $749 per tonne compared with $1,185 per tonne in 2022.

These lower prices, together with the reduction in volumes of CPO and CPKO, impacted performance in 2023, with group revenue amounting to $176.7 million, 15.4 per cent below 2022 revenue of $208.8 million. Cost of sales reduced by 3.7 per cent, principally reflecting the reduced level of purchased FFB, while estate operating costs increased by 1.8 per cent, less than the rate of Indonesian inflation notwithstanding higher fertiliser costs, reflecting increased applications, and higher workforce numbers. Operating profit for 2023 totalled $14.8 million, $26.6 million lower than that of 2022.

EBITDA for 2023 amounted to $43.6 million, a $25.5 million reduction on the 2022 comparative of $69.1 million. As in previous years, EBITDA in the second half of $28.1 million showed a significant improvement over EBITDA of the first half of $15.5 million.

Losses on disposals of subsidiaries and similar charges incurred during the year totalled $26.0 million. Of this amount, $23.6 million reflected the impairment of the CDM asset now held for sale and the effect of adjusting CDM's assets to their fair value (less costs to sell) in accordance with the terms of the potential sale to the DSN group. The further $2.4 million arose from the reorganisation of the REA Kaltim sub-group. Other gains and losses in 2023 included a foreign exchange loss of $4.2 million compared to a $14.2 million gain in 2022, principally in relation to sterling and rupiah borrowings, and a $0.4 million loss on the sale of the dollar notes held in treasury. In 2022 there was a $0.5 million gain on the extension of the redemption date of the dollar notes.

Finance costs for 2023 were $1.9 million lower than in 2022 at $17.5 million, reflecting lower interest rates charged during the year compared to 2022 and $0.9 million additional capitalisation of interest in connection with the increase in the area of immature plantings at the year end. Interest income during 2023, principally arising from the group's stone, sand and coal interests, totalled $4.1 million compared to $5.3 million in 2022.

As a result of the above, the group incurred a loss before tax of $29.2 million in 2023 compared with a profit before tax of $42.0 million in 2022. The loss after tax was $17.7 million (2022: profit after tax $32.9 million).

Shareholders' funds less non-controlling interests at 31 December 2023 amounted to $219.8 million compared with $233.9 million at 31 December 2022. Non-controlling interests at 31 December 2023 amounted to $14.3 million (2022: $23.6 million). Total net debt increased during the year to $178.2 million at 31 December 2023 (2022: $166.7 million).

The group continues to develop its ESG strategy and to drive towards fulfilling its stated commitments to address climate change whilst also increasing revenues generated from sustainable production. Average premia realised during the year for sales of certified oil increased to $13 per tonne (2022: $10 per tonne) for CPO sold with ISCC certification and respectively, $15 (2022: $11) and $213 (2022: $209) per tonne for CPO and CPKO sold with RSPO certification.

Plans are progressing to separate processing of fully certified FFB from processing of other FFB so as to permit sales of segregated certified CPO which normally commands a greater price premium. In parallel, the group is working with smallholder suppliers to improve the sustainable component of the group's supply chain and promote sustainable palm oil production.

As in past years, in 2023 the group participated in the SPOTT assessment conducted by ZSL. The group's score increased from 87.0 per cent to 88.7 per cent against an average score of 47.2 per cent, ranking the group 12th out of the 100 companies assessed.

Following on from the initiatives implemented in the agricultural operations, the group is now also pursuing plans as regards the interests in the stone, sand and coal concession holding companies to which the group has made loans.

Taking advantage of the currently more permissive Indonesian mining regulations, the group intends to implement its original agreement with the shareholders of the stone concession holding company, ATP, to acquire majority ownership of ATP. Good progress was made during 2023 with development of the stone concession. Towards the end of the year, two stone crushers arrived at the quarry site and production of crushed commenced with the initial output being used to surface the access roads. Commercial sales of stone are now starting.

Pursuant to its agreement with the sand concession holding company, MCU, the group will acquire a 49 per cent participation in MCU, once the necessary licences for sand mining have been finalised. IPA's coal mining contractor has been appointed to mine the MCU sand on terms similar to those that applied to mining coal at IPA, with profits from sales of quartz sand to be shared between MCU and the contractor in the approximate proportion 70:30. Commercial production is expected to commence later in 2024.

A substantial fall in prices for semi-soft and high calorie thermal coal led to mining operations at IPA being suspended from mid-2023, although sales of stockpiled coal continued. Under current conditions, further mining of IPA remains uneconomic. The loan to IPA has been substantially repaid and the group does not intend to make further loans for coal operations. Additionally, the group intends to withdraw from further involvement with PSS, the coal concession holding company that has not yet commenced mining.

The semi-annual dividend arising in June 2023 on the group's 9 per cent preference shares was paid on the due date. The semi-annual dividend arising in December 2023 was temporarily deferred but, following the DSN share subscription becoming unconditional, the directors declared a dividend in respect of all arrears of preference dividend (amounting in aggregate to 11.5p per preference share) and such dividend was duly paid on 15 April 2024.

The directors expect the dividends due on the preference shares in June and December 2024 will be paid in full on the due dates.

The outlook for the group is encouraging. CPO and CPKO prices have firmed since the beginning of the year with the local price, FOB Belawan/Dumai, increasing from $716 per tonne to a current level of $1,015 per tonne. Given that limited availability of plantable land and increasing regulatory restrictions are likely to constrain future expansion of oil palm hectarage, prices may reasonably be expected to remain at remunerative levels for the foreseeable future. With increasing sustainability premia on the group's oil sales, efficiency initiatives and reduced financing costs resulting from borrowing reductions, this should lead to improving cash flows from the agricultural operations.

With the cash inflow from the DSN group's additional investment in REA Kaltim and the expected sale of CDM, 2024 will see a material reduction in group net indebtedness. Going forward, the directors will seek to derive maximum value from the group's ancillary interests in stone and sand and to use such extracted value, supplemented by the cash flow from the core oil palm business, to reduce further group net indebtedness while continuing to invest in improvements to and the expansion of the oil palm operations.

David J BLACKETT
Chairman

DIVIDENDS

The semi-annual dividend arising on the preference shares in June 2023 was paid on the due date. The semi-annual dividend arising in December 2023 was temporarily deferred but on the basis that, if the agreement for the subscription by the DSN group for further shares in REA Kaltim became unconditional, the directors would declare a dividend representing all outstanding arrears of preference dividend. Accordingly, following the DSN share subscription becoming unconditional, the directors declared a dividend in respect of all of such arrears and such dividend (amounting in aggregate to 11.5p per preference share) was duly paid on 15 April 2024.

The directors expect the semi-annual dividends arising on the preference shares in June and December 2024 will be paid in full on the due dates.

While the dividends on the preference shares were more than six months in arrear, the company was not permitted to pay dividends on its ordinary shares but with the payment in full of the outstanding arrears of preference dividend that is no longer the case. Nevertheless, in view of the results for the year, no dividend in respect of the ordinary shares has been paid in respect of 2023 or is proposed.

ANNUAL GENERAL MEETING

The sixty fourth 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 6 June 2024 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 4 June 2024); or

(ii) via the CREST electronic proxy appointment service; or

(iii) 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 4 June 2024; or

(iv) by using the Proxymity platform if you are an institutional investor (for more information see 2024 notice).

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 visit the group's website for any such further updates.

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.

Identication, 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.

Geo-political uncertainty, such as may be caused by wars, can lead to pricing volatility and shortages of the necessary inputs to the group's operations, such as fuel and fertiliser, inflating group costs and negatively impacting the group's production volumes. The impact of input shortages, however, may be offset by a consequential benefit to prices of the group's outputs, CPO and CPKO.

Climate change represents a particular 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 net GHG emissions by 2030 and to work towards the longer term objective of net-zero emissions by 2050. In furtherance of these commitments, the group's CCWG, under the direction of the chief sustainability officer, is tasked with identifying and quantifying emission sources across all of the group's operations and with developing actions, priorities and timelines for emission reductions. The group signed up to the SBTi in early 2023 with the aim of following the science to frame the group's actions to reduce carbon emissions. Science-based targets demonstrate how much and how quickly the group needs to reduce its GHG emissions in line with what is deemed necessary to meet the goals of the Paris Agreement, that is aimed at limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit global warming to 1.5°C. 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** in the annual report. Where risks are reasonably capable of mitigation, the group seeks to mitigate them. Beyond that, the directors endeavour to manage the group's nances on a basis that leaves the group with some capacity to withstand adverse impacts from both identied 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 sand interests, as referred to below, could impact the ability of the concession holding companies to repay their loans. As noted elsewhere in the **Strategic report** of the annual report, the active coal concession has been largely mined out and it is the group's intention to withdraw from its coal interests. Accordingly, coal interests are no longer considered to represent a principal risk for the group.

Risks assessed by the directors as currently being of particular signicance are those detailed below under:

- Agricultural operations – Climatic factors
- Agricultural operations – Produce prices
- Agricultural operations – Other operational factors.

In addition, the directors have identified IT security as a substantial yet remote risk as detailed under General below.

The directors' assessment, as respects produce prices, reects 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. Construction of a second downstream loading facility as currently under discussion would further improve transport resilience. In addition, road access between the ports of Samarinda and Balikpapan and the estates offers a viable alternative route for transport with any associated additional cost more than outweighed by avoidance of the potential negative impact of disruption to the business cycle by any delay in evacuating CPO and CPKO
Cultivation risks		
Failure to achieve optimal upkeep standards	A reduction in harvested crop resulting in loss of potential revenue	The group has adopted standard operating practices designed to achieve required upkeep standards
Pest and disease damage to oil palms and growing crops	A loss of crop or reduction in the quality of harvest resulting in loss of potential revenue	The group adopts best agricultural practice to limit pests and diseases
Other operational factors		
Shortages of necessary inputs to the operations, such as fuel and fertiliser	Disruption of operations or increased input costs leading to reduced profit margins	The group maintains stocks of necessary inputs to provide resilience and has established biogas plants to improve its self-reliance in relation to fuel. 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	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

	saleable only at a discount to normal market prices	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.
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, were subsequently modified to afford producers economic margins. The export levy charge funds biodiesel subsidies and thus supports the local price of CPO
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 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 sand interests		
Operational factors		
Failure by external contractors to achieve agreed production volumes with optimal extraction rates	Under recovery of receivables	The stone and sand 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
Delays to securing the required mining licences by the sand concession holding company	Delays to recovery of receivables and commencement of mining	The group is assisting the sand concession holding company to meet the recent changed regulatory requirements and in the meanwhile is financing pre-production costs to ensure that mining commences as soon as permissible
External factors, in particular weather, delaying or preventing delivery of extracted stone and sand	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 sand concession holding companies seek to ensure the accuracy of geological assessments of any extraction programme
Prices		
Local competition reducing stone and sand 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. Third parties are showing a keen demand for both stone and the quartz sand
Imposition of additional royalties or duties on the extraction of stone or sand 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 and sand quarrying 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 sand interests to meet the standards expected of them	Reputational and financial damage	The areas of the stone and sand concessions are relatively small and should not be difficult to supervise. The concession holding 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 are able to deploy additional equipment in order to meet production and transportation targets during periods of higher rainfall
General		
IT security		
IT related fraud including cyber-attacks that are becoming increasingly prevalent and sophisticated	Losses as a result of disruption of control systems and theft	The group’s IT controls and financial reporting systems and procedures are independently audited and tested annually and recommendations for corrective actions to enhance controls are implemented accordingly. A malware attack in December 2023, that had compromised the group’s systems prior to implementation of some enhanced control processes and procedures earlier in the year, did not affect the group’s ability to continue its normal operations and to maintain control over the group’s finances and risks, notwithstanding some disruption
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 the risk of adverse exchange movements 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 sterling or rupiah, 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 fuel or fertiliser arising from the wars)	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. Such was the case, for example, when certain breaches of bank loan covenants by group

		companies at 31 December 2020 and 2023 were 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 sand 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	Civil sanctions and, in an extreme case, loss of the affected rights or concessions	The group endeavours to ensure compliance with the continuing conditions attaching to its land rights and concessions and that its activities and the activities of the stone and sand concession holding 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 or mining 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 and there are existing regulations that may result in a requirement to divest over an extended period part of the substantial equity participation in the stone concession holding company that the group proposes to acquire but the group has no reason to believe that any 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 sand interests because those concessions are, currently, 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. Further, the group now intends to exercise its rights to acquire substantial equity participation in the stone concession holding company and, when the substantive permits have been obtained, to implement the previously agreed joint venture agreement with the sand concession holding company

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** in the annual report which also provides (under the heading Finance) a description of the group's cash ow, liquidity and financing development and treasury policies. In addition, note 26 to the group nancial statements in the annual report includes information as to the group's policy, objectives, and processes for managing capital, its nancial risk management objectives, details of nancial instruments and hedging policies and exposures to credit and liquidity risks.

The **Principal risks and uncertainties** section of the **Strategic report** in the annual 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 reects 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 identied and addressed but, as crops recovered to better levels, the group had to contend with falling CPO prices. The resultant negative cash ow impact over several years had to be nanced and led to the group assuming greater debt obligations than it would have liked.

Total indebtedness at 31 December 2023, as detailed under **Capital structure** in the **Strategic report** of the annual report, amounted to $192.4 million, comprising Indonesian rupiah denominated term bank loans equivalent in total to $102.8 million, drawings under Indonesian rupiah denominated working capital and short term revolving facilities equivalent to $9.0 million, $26.6 million nominal of 7.5 per cent dollar notes 2026, £30.9 million nominal (equivalent to $40.5million) of 8.75 per cent sterling notes 2025 and loans from the non-controlling shareholder in REA Kaltim of $13.5 million. The total borrowings repayable in the period to 31 December 2026 (based on exchange rates ruling at 31 December 2023) amount to the equivalent of $106.9 million of which $59.6 million will fall due in 2025 and $47.4 million in 2026.

In addition to the cash required for debt repayments, the group also faces substantial demands on cash to fund capital expenditure, dividends on the company’s preference shares and the repayment of contract liabilities representing funding from the group's customers provided in exchange for forward commitments of CPO and CPKO.

Capital expenditure in 2024 and the immediately following years is likely to be maintained at not less than $20 million per annum as the group progresses its extension planting programme in PU, accelerates replanting of older oil palm areas in REA Kaltim, invests further in 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.

Outstanding arrears of dividends on the preference shares at 31 December 2023 amounted to 11.5p per share with dividends accruing at the rate of 9p per share per annum and were fully paid on 15 April 2024. The total arrears were equivalent to $10.4 million and at the current exchange rate of £1 = $1.24 the overall cost of the annual accrual of further dividends will amount to $8.0 million per annum.

Outstanding contract liabilities at 31 December 2023 amounted to $17.1 million which will fall due for repayment over the two years 2024 and 2025 with $12.4 million being repaid in 2024 and $4.7 million in 2025.

Closing, in March 2024, of the agreed subscription by the DSN group of additional shares in REA Kaltim (to increase the DSN group’s interest in REA Kaltim from 15 per cent to 35 per cent) resulted in a cash inflow to the group of some $50 million with further monies, estimated at around $5 million, still to be received when the amount of the subscription is finalised following completion of the audit of REA Kaltim’s 2023 financial statements. If, as is planned, CDM is sold, either to DSN or to a third party, the group can reasonably expect a further net cash inflow of some $16 million.

In addition, in March 2024, Bank Mandiri agreed to provide further term loans to REA Kaltim amounting in total to the equivalent of $22.5 million to fund capital expenditure between 2024 and 2028. Discussions are continuing with Bank Mandiri on the provision of a term loan to assist in financing PU's extension planting programme.

Whilst commodity prices can be volatile, there is a reasonable expectation that CPO and CPKO prices will remain at remunerative levels for the foreseeable future and that the group will progressively achieve increasing sustainability premia on its oil sales. Whilst some cost inflation is unavoidable, the group believes that efficiency initiatives, including the administrative savings from the recently completed reorganisation of the company's subsidiaries and the prospective savings if CDM is successfully divested, coupled with the benefits of the continuing capital investment programme, will limit cost increases. With reduced financing costs resulting from reduction in borrowings, the group’s plantation operations should generate cash flows at good levels.

Following significant investment in the group’s stone and sand interests during 2023, production of stone has now started and it is expected that production of sand will follow within 2024. Accordingly, both activities are expected to return cash to the group in 2024 and going forward.

Taking account of the cash already held by the group at 31 December 2023 of $14.2 million and the prospective cash inflows from the DSN group's subscription of additional shares in REA Kaltim and the planned divestment of CDM, combined with cash flow from the oil palm operations and sand and stone interests, 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 are now occurring 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** of the annual report. The directors have carefully considered those factors, together with the principal risks and uncertainties faced by the group which are set out in the **Principal risks and uncertainties** section of the **Strategic report** in the annual report and have reviewed key sensitivities which could impact on the liquidity of the group.

As at 31 December 2023, the group had cash and cash equivalents of $14.2 million, and borrowings of $192.4 million (in both cases as set out in note 26 to the group nancial statements). The total borrowings repayable by the group in the period to 30 April 2025 (based on exchange rates ruling at 31 December 2023) amount to the equivalent of $43.0 million.

In addition to the cash required for debt repayments, as at 31 December 2023 the group also requires cash in the period to 30 April 2025 to fund capital expenditure, dividends and arrears of dividend on the company's preference shares and repayment of contract liabilities as referred to in more detail in the **Viability statement** above. That statement also notes the inflows and prospective inflows of cash from corporate transactions and new bank development loans and the group's expectations regarding positive cash flows from the oil palm operations and the stone and sand interests.

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 nancial statements.

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

DIRECTORS' RESPONSIBILITIES

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

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

- the group financial statements, prepared in accordance with UK adopted IFRS, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the company and the subsidiary undertakings included in the consolidation taken as a whole;
- the company financial statements, prepared in accordance with UK Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, give a true and fair view of the company's assets, liabilities, and financial position of the company;
- the Strategic report and Directors' report in the annual report include 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 nancial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's and 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 2023

	2023 $'000	2022 $'000
Revenue	**176,722**	**208,783**
Net loss arising from changes in fair value of biological assets	(580)	(245)
Cost of sales	(142,415)	(147,804)
Gross profit	**33,727**	**60,734**

Distribution costs	(1,511)	(2,014)
Administrative expenses	(17,372)	(17,319)
Operating profit	**14,844**	**41,401**
Interest income	4,091	5,297
Losses on disposals of subsidiaries and similar charges	(26,051)	–
Other (losses) / gains	(4,669)	14,661
Finance costs	(17,460)	(19,313)
(Loss) / profit before tax	**(29,245)**	**42,046**
Tax	11,552	(9,160)
(Loss) / profit before tax	**(17,693)**	**32,886**
Attributable to:		
Equity shareholders	(10,241)	27,777
Non-controlling interests	(7,452)	5,109
	(17,693)	**32,886**
(Loss) / profit per 25p ordinary share (US cents)		
Basic	(32.7)	43.1
Diluted	(32.7)	39.5

All operations for both years are continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 $'000	2022 $'000
(Loss) / profit for the year	**(17,693)**	**32,886**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Reclassification of foreign exchange differences on disposal of group companies	685	–
Loss arising on purchase of non-controlling interests taken to equity	(96)	–
	589	–
Items that will not be reclassified to profit or loss:		
Actuarial gains	(449)	374
Deferred tax on actuarial gains	99	(83)
	(350)	291
Total comprehensive (loss) / income for the year	**(17,454)**	**33,177**
Attributable to:		
Equity shareholders	(9,961)	28,027
Non-controlling interests	(7,493)	5,150
	(17,454)	**33,177**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

	2023	2022
	$'000	$'000
Non-current assets		
Goodwill	11,144	12,578
Intangible assets	1,593	1,836
Property, plant and equipment	297,255	354,028
Land	46,015	44,967
Financial assets	73,640	60,010
Deferred tax assets	15,012	3,000
Total non-current assets	444,659	476,419
Current assets		
Inventories	16,709	27,428
Biological assets	3,087	3,909
Trade and other receivables	28,254	31,440
Current tax asset	975	188
Cash and cash equivalents	14,195	21,914
Total current assets	63,220	84,879
Assets classified as held for sale	32,516	–
Total assets	**540,395**	**561,298**
Current liabilities		
Trade and other payables	(27,834)	(40,454)
Current tax liabilities	(1,462)	(1,462)
Bank loans	(17,413)	(16,390)
Other loans and payables	(14,891)	(5,712)
Total current liabilities	(61,600)	(64,018)
Non-current liabilities		
Trade and other payables	(16,841)	(9,757)
Bank loans	(94,361)	(100,730)
Sterling notes	(40,549)	(38,162)
Dollar notes	(26,572)	(17,842)
Deferred tax liabilities	(34,888)	(44,454)
Other loans and payables	(15,356)	(28,805)
Total non-current liabilities	(228,567)	(239,750)
Liabilities directly associated with assets held for sale	(16,109)	–
Total liabilities	**(306,276)**	**(303,768)**
Net assets	**234,119**	**257,530**
Equity		
Share capital	133,590	133,590
Share premium account	47,374	47,374
Translation reserve	(24,416)	(25,101)
Retained earnings	63,267	78,042
	219,815	233,905
Non-controlling interests	14,304	23,625
Total equity	**234,119**	**257,530**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Share premium	Translation reserve	Retained earnings	Subtotal	Non-controlling	Total equity

						interests	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2022	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
Loss for the year	–	–	–	(10,241)	(10,241)	(7,452)	(17,693)
Reorganisation of subsidiaries	–	–	–	–	–	(1,978)	(1,978)
Other comprehensive income / (loss) for the year	–	–	685	(405)	280	(41)	239
Capital from non-controlling interest	–	–	–	–	–	150	150
Dividends to preference shareholders	–	–	–	(4,129)	(4,129)	–	(4,129)
At 31 December 2023	**133,590**	**47,374**	**(24,416)**	**63,267**	**219,815**	**14,304**	**234,119**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	$'000	$'000
Net cash from operating activities	**29,625**	**16,699**
Investing activities		
Interest received	4,019	2,058
Proceeds on disposal of PPE	3,054	1,517
Purchases of intangible assets and PPE	(21,756)	(19,095)
Expenditure on land	(5,093)	(1,327)
Net (investment) / repayment stone, sand and coal interests	(16,947)	17,018
Cash received from non-current receivables	1,574	–
Cash divested on disposal of group companies	(1,340)	–
Cash reclassified as assets held for sale	(674)	–
Proceeds on disposal of group companies	1,810	–
Net cash (used in) /generated by investing activities	(35,353)	171
Financing activities		
Preference dividends paid	(4,129)	(16,530)
Dividend to non-controlling interest	–	(1,500)
Repayment of bank borrowings	(15,773)	(39,243)
New bank borrowings drawn	6,098	30,400
Sale / (purchase) of dollar notes held in treasury	8,142	(8,570)
Repayment of borrowings from related party	–	(51)
Repayment of borrowings from non-controlling shareholder	(1,394)	(697)
New borrowings from non-controlling shareholder	10,000	–
New equity from non-controlling interests	150	–
Purchase of non-controlling interest	(1,575)	–
Cost of extension of redemption date of dollar notes	–	(252)
Proceeds from issue of ordinary shares	–	20

Repayment of lease liabilities	(2,846)	(2,670)
Net cash used in financing activities	(1,327)	(39,093)
Cash and cash equivalents		
Net decrease in cash and cash equivalents	(7,055)	(22,223)
Cash and cash equivalents at beginning of year	21,914	46,892
Effect of exchange rate changes	(664)	(2,755)
Cash and cash equivalents at end of year	**14,195**	**21,914**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements and notes 1 to 26 below (together the **financial information**) have been extracted without material adjustment from the financial statements of the group for the year ended 31 December 2023 (the **2023 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 2023 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 2023 financial statements have been prepared in accordance with UK adopted IFRS 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 2023 financial statements and the accompanying financial information were approved by the board of directors on 24 April 2024.

2. Revenue and cost of sales

	2023 $'000	2022 $'000
Revenue:		
Sales of goods	175,313	206,611
Revenue from management services	1,138	1,520
Revenue from coal interest	271	652
	176,722	208,783
Cost of sales:		
Depreciation and amortisation	(28,750)	(27,654)
Other costs	(113,665)	(120,150)
	(142,415)	(147,804)

3. Segment information

In the table below, the group's sales of goods are analysed by geographical destination. The group operates in two segments: the cultivation of oil palms and stone, sand and coal interests. In 2023 and 2022, the latter did not meet the quantitative thresholds set out in IFRS 8: Operating segments and, accordingly, no analyses are provided by business segment.

	2023 $'m	2022 $'m
Sales by geographical destination:		
Indonesia	175.3	206.6
	175.3	206.6

4. Administrative expenses

	2023	2022
	$'000	$'000
Loss on disposal of PPE	1,055	218
Indonesian operations	14,895	14,221
Head office	3,436	3,428
	19,386	17,867
Amount included as additions to PPE	(2,014)	(548)
	17,372	17,319

5. Interest income

	2023	2022
	$'000	$'000
Interest on bank deposits	851	1,161
Other interest income	3,240	897
Reversal of provision in respect of interest on stone and coal loans	–	3,239
	4,091	5,297

Other interest income comprises $3.9 million interest receivable in respect of stone, sand and coal loans net of a provision of $0.7 million (2022: interest receivable of $2.6 million net of a provision of $1.7 million).

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

6. Losses on disposals of subsidiaries and similar charges

	2023	2022
	$'000	$'000
Impairment of asset held for sale	23,616	–
Reorganisation of subsidiaries	2,435	–
	26,051	–

The impairment of asset held for sale is the effect of adjusting CDM's assets and liabilities to their fair value less cost to sell in line with the terms of the potential sale of CDM to DSN (see note 19).

The reorganisation of subsidiaries is in respect of the steps taken during 2023 to simplify the structure of the group and thereby reduce administrative costs. The REA Kaltim sub-group acquired the 5 per cent third party interests in its previously 95 per cent held subsidiaries such that these are all now wholly owned by REA Kaltim with the exception of SYB which completed in January 2024. Concurrently, two subsidiaries, KKP and KKS, in the latter case with its subsidiary, PBJ2, were divested. The acquisition of the former 5 per cent third party interests in subsidiaries of REA Kaltim was made possible by a 2021 change in the Indonesian regulations which abolished a previous requirement for 5 per cent local ownership of all Indonesian companies engaged in oil palm cultivation. The $2.4 million cost comprises the $0.6 million write down of a loan to a third party interest, a $0.7 million reclassification of foreign exchange differences on the divestment of KKP, a loss on the sale of KKS and PBJ2 of $0.2 million and $1.0 million provision in respect of indemnities given in connection with that sale.

7. Other (losses) / gains

	2023	2022

	$'000	$'000
Change in value of sterling notes arising from exchange fluctuations	(2,199)	4,553
Change in value of other monetary assets and liabilities arising from exchange fluctuations	(2,042)	9,613
Gain arising on the extension of the redemption date of the dollar notes	–	495
Loss on sale of dollar notes held in treasury	(428)	–
	(4,669)	14,661

8. Finance costs

	2023 $'000	2022 $'000
Interest on bank loans and overdrafts	9,623	10,814
Interest on dollar notes	1,708	1,707
Interest on sterling notes	3,412	3,263
Interest on other loans	1,319	851
Interest on lease liabilities	529	377
Other finance charges	1,961	2,527
	18,552	19,539
Amount included as additions to PPE	(1,092)	(226)
	17,460	19,313

The interest on dollar notes is net of interest in respect of the $8.6 million notes that were held in treasury by a group company for resale for the last 6 months of 2022 and the first 6 months of 2023.

Amounts included as additions to PPE arose on borrowings applicable to the Indonesian operations and reflected a capitalisation rate of 7.0 per cent (2022: 1.0 per cent) there is no directly related tax relief.

9. Tax

	2023 $'000	2022 $'000
Current tax:		
UK corporation tax	–	78
Overseas withholding tax	1,097	1,635
Foreign tax	4,271	7,172
Foreign tax – prior year	317	133
Total current tax	5,685	9,018
Deferred tax:		
Current year	(18,593)	3,128
Prior year	1,356	(2,986)
Total deferred tax	(17,237)	142
Total tax (credit) / charge	(11,552)	9,160

Taxation is provided at the rates prevailing for the relevant jurisdiction. For Indonesia, the current and deferred taxation provision is based on a tax rate of 22 per cent (2022: 22 per cent) and for the UK, the taxation provision reflects a corporation tax rate of 23.5 per cent (2022: 19 per cent) and a deferred tax rate of 25 per cent (2022: 25 per cent).

10. Dividends

	2023 $'000	2022 $'000
Amounts recognised as distributions to preference shareholders:		
Dividends on 9 per cent cumulative preference shares	4,129	16,530

The semi-annual dividend arising on the preference shares in June 2023 was paid on the due date. The semi-annual dividend arising in December 2023 was temporarily deferred but on the basis that, if the agreement for the subscription by the DSN group for further shares in REA Kaltim became unconditional, the directors would declare a dividend representing all outstanding arrears of preference dividend. Accordingly, following the DSN share subscription becoming unconditional, the directors declared a dividend in respect of all of such arrears and such dividend (amounting in aggregate to 11.5p per preference share) was duly paid on 15 April 2024.

The directors expect the semi-annual dividends arising on the preference shares in June and December 2024 will be paid in full on the due dates.

While the dividends on the preference shares were more than six months in arrear, the company was not permitted to pay dividends on its ordinary shares but with the payment in full of the outstanding arrears of preference dividend that is no longer the case. Nevertheless, in view of the results for the year, no dividend in respect of the ordinary shares has been paid in respect of 2023 or is proposed.

11. (Loss) / profit per share

	2023 $'000	2022 $'000
(Loss) / profit attributable to equity shareholders	(10,241)	27,777
Preference dividends paid relating to current year	(4,129)	(8,826)
(Loss) / profit for the purpose of calculating loss per share	(14,370)	18,951

	'000	'000
Weighted average number of ordinary shares for the purpose of:		
Basic (loss) / profit per share	43,964	43,959
Diluted (loss) / profit per share	43,964	47,957

The warrants (see note 20) are non-dilutive in 2023 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 2022	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
Additions	4,141	6,731	4,578	6,826	22,276
Reclassifications and adjustments	–	7,844	9,187	(17,031)	–
Disposals	(4,511)	(3,102)	(1,322)	–	(8,935)
Divested on sale of subsidiary (see note 21)	(176)	(330)	(31)	–	(537)
Transferred to assets held for sale (see note 19)	(18,090)	(37,154)	(1,055)	(76)	(56,375)
At 31 December 2023	157,911	229,282	141,534	2,887	531,614

Accumulated depreciation:

At 1 January 2022	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
Charge for year	9,586	8,111	10,679	–	28,376
Disposals	(2,705)	(872)	(1,249)	–	(4,826)
Divested on sale of subsidiary (see note 21)	(7)	(10)	(31)	–	(48)
Transferred to assets held for sale (see note 19)	(3,705)	(5,858)	(737)	–	(10,300)
At 31 December 2023	79,180	67,972	87,207	–	234,359
Carrying amount:					
At 31 December 2023	78,731	161,310	54,327	2,887	297,255
At 31 December 2022	100,536	188,692	51,632	13,168	354,028

The depreciation charge for the year includes $144,000 (2022: $44,000) which has been capitalised as part of additions to plantings and buildings and structures.

At the balance sheet date, the group had entered into no contractual commitments for the acquisition of PPE (2022: $7.3 million).

At the balance sheet date, PPE of $118.1 million (2022: $123.0 million) had been charged as security for bank loans (see note 15).

Additions to PPE include $651,000 of new right-of-use assets which are not included in purchases of PPE within the consolidated cash flow statement.

13. Land

	2023 $'000	2022 $'000
Cost:		
Beginning of year	48,648	47,962
Additions	5,093	1,327
Disposals	–	(641)
Transferred to assets held for sale (see note 19)	(4,909)	–
End of year	48,832	48,648
Accumulated amortisation:		
Beginning of year	3,681	4,322
Disposals	–	(641)
Transferred to assets held for sale (see note 19)	(864)	–
End of year	2,817	3,681
Carrying amount:		
End of year	46,015	44,967
Beginning of year	44,967	43,640

Balances classied 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 2023, certicates of HGU had been obtained in respect of areas covering 63,617 hectares (2022: 64,522 hectares). An HGU is effectively a government certication 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.

The amount carried forward at 31 December 2023 represents HGU costs only, the group's remaining *Izin Lokasi* were part of the transfer to assets held for sale.

At the balance sheet date, land titles of $30.9 million (2022: $26.3 million) had been charged as security for bank loans (see note 15).

14. Financial assets

	2023	2022
	$'000	$'000
Stone interest	44,681	30,354
Coal interests	11,835	13,524
Provision against loan to coal interests	(2,550)	(2,550)
	53,966	41,328
Sand interest	3,633	–
	57,599	41,328
Plasma advances	12,788	13,675
Other non-current receivables	3,253	5,007
	16,041	18,682
Total financial assets	73,640	60,010

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. Until recently local regulatory requirements precluded the exercise of such rights. 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. The coal concession holding company that commenced generation of revenue in 2022 has repaid substantially all of its loan from the group.

Included within the stone and coal interest balances is cumulative interest receivable of $11.8 million net of a provision of $9.7 million (2022: $9.0 million cumulative interest receivable and provision). This interest, due from the stone concession holding company and the second coal concession holding company has been provided against due to the creditworthiness of the applicable concession holding companies, the first has only just commenced production while production by the second is uneconomic at the current level of coal prices; as such neither company will have sufficient operational cashflows from which to settle arrears of interest in the next year. (A provision of $3.2 million in respect of the coal concession holding company that repaid substantially all of its loan to the group was reversed in 2022 and included within interest income in the consolidated income statement).

Following the identification of quartz sand deposits lying in the overburden within the concession area held by the coal concession holding company that has substantially repaid its loan, the group, in 2022, concluded agreements with the company holding the rights to mine such sand deposits. The latter company is a separate legal entity from the coal concession holding company in question because sand mining and coal mining in Indonesia are subject to separate licencing arrangements and a coal mining licence does not entitle the holder of such licence to mine sand. Pursuant to its agreements with the sand concession holding company, the group has made loans to finance the pre-production costs of that company. Once the necessary licences have been finalised, the group will acquire a 49 per cent participation in the sand concession holding company.

Plasma advances are discussed under **Credit risk** in note 26 of the annual report.

Other non-current receivables are participation advances to third parties holding, or formerly holding, five per cent non-controlling interests in group subsidiaries. $1.6 million was repaid during the year on the purchase of the non-controlling interest in KMS.

15. Bank loans

	2023	2022
	$'000	$'000
Bank loans	111,774	117,120
The bank loans are repayable as follows:		
On demand or within one year	17,413	16,390
Between one and two years	16,662	14,210
Between two and five years	58,684	53,779
After five years	19,015	32,741
	111,774	117,120
Amount due for settlement within 12 months	17,413	16,390
Amount due for settlement after 12 months	94,361	100,730
	111,774	117,120

All bank loans are denominated in rupiah and are stated above net of unamortised issuance costs of $3.8 million (2022: $4.8 million). The bank loans repayable within one year include $2.9 million drawings under working capital facilities (2022: $2.9 million) and $6.1 million short term revolving borrowings (2022: nil). Under the Mandiri facilities, the group is required to leave agreed amounts of cash on deposit but is allowed additional borrowings equal to the amount of the blocked cash.

The interest rate on the bank loans and working capital facilities at 31 December 2023 is 8.0 per cent (2022: 8.0 per cent). The short term revolving borrowings have an interest rate of 3.0 per cent which is 0.5 per cent above the deposit interest rate applicable to cash deposits. The weighted average interest rate on all bank borrowings for 2023 was 7.7 per cent (2022: 8.3 per cent).

The gross bank loans of $115.6 million (2022: $122.0 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 $158.1 million (2022: $159.4 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.

REA Kaltim, SYB and KMS have agreed certain financial covenants under the terms of the bank facilities relating to debt service coverage, debt equity ratio, gross margin and the maintenance of positive net income and positive equity; such covenants are tested annually upon delivery to Bank Mandiri of the audited financial statements in respect of each year by reference to the company's results for, and closing financial position as at the end of, that year. For 2023 Bank Mandiri waived the testing requirement as regards REA Kaltim's maintenance of positive net income and the testing requirements as regards SYB's debt service coverage, gross margin and the maintenance of positive net income.

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 (2022: nil).

16. Sterling notes

The sterling notes comprise £30.9 million nominal of 8.75 per cent guaranteed 2025 sterling notes (2022: £30.9 million nominal) issued by the company's subsidiary, REAF.

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 held by sterling note holders (see note 20) on or before the nal 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 ($39.3 million) is carried on the balance sheet at $40.5 million (2022: $38.2 million) which is net of the unamortised balance of the note issuance costs plus the amortised premium to date.

17. Dollar notes

	2023 $'000	2022 $'000
Dollar notes – repayable 2026	(26,572)	(26,412)
Dollar notes held in treasury	–	8,570
	(26,572)	(17,842)

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

On 3 March 2022 the repayment date for the dollar notes was extended from 30 June 2022 to 30 June 2026. In consideration of the noteholders sanctioning the extension of the redemption date, the company paid each noteholder a consent fee equal to 0.25 per cent of the nominal amount of 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 held by REAS at 31 December 2022 was $8.6 million.

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

18. Other loans and payables

	2023 $'000	2022 $'000
Indonesian retirement benefit obligations	9,098	7,824
Lease liabilities	5,929	7,438
Loans from non-controlling shareholder	13,484	15,519
Payable under settlement agreement	1,736	3,736
	30,247	34,517
Repayable as follows:		
On demand or within one year (shown under current liabilities)	14,891	5,712
Between one and two years	4,326	3,721
Between two and five years	2,979	18,106
After five years	8,051	6,978
Amount due for settlement after 12 months	15,356	28,805
	30,247	34,517

19. Assets held for sale

In 2023 the group entered into a share subscription agreement with DSN. Included in this agreement was a priority right, exercisable by notice in writing to the company given at any time prior to 30 June 2024, for DSN to acquire CDM at a price calculated by reference to a valuation of the asset and liabilities of CDM on the basis stipulated in the agreement.

If the right is exercised, CDM will be sold for a price of $1 but on terms that (a) if the agreed valuation of CDM's assets and liabilities results in a negative value being attributed to the equity of CDM, immediately prior to completion of the sale, REA Kaltim will make an additional capital contribution to CDM in an amount equal to such negative value and (b) on completion, DSN will procure the repayment by CDM of the loan from REAS while REA Kaltim will repay the balance then owed by it to CDM.

Based on the above, at 31 December 2023 the additional capital contribution required under (a) is a negative figure of $3.2 million and the net repayment to the group under (b) is $19.6 million giving a fair value of $16.4 million. Costs to sell are expected to be minimal.

Accordingly, the assets of CDM with carrying value of $40.0 million have been treated as assets held for sale and have been impaired by $23.6 million to equal the estimated fair value less costs to sell of $16.4 million. The composition of those assets and of the liabilities related to them, both as at 31 December 2023, were as shown below:

	$'000
Goodwill	1,434
PPE	46,075
Land	4,045
Inventories	1,477
Biological assets	242
Plasma advances	1,476
Trade and other receivables	1,334
Cash and bank balances	49
Total assets classified as held for sale	56,132
Impairment of assets held for sale	(23,616)
Assets classified as held for sale	32,516
Trade payables	(869)
Deferred tax	(4,242)
Other loans and payables	(10,641)
Retirement benefits	(357)
Total liabilities related to assets classified as held for sale	(16,109)
Net assets held for sale	16,407

20. Share capital

	2023 $'000	2022 $'000
Issued and fully paid:		
72,000,000 – 9 per cent cumulative preference shares of £1 each (2022: 72,000,000)	116,516	116,516
43,963,529 – ordinary shares of 25p each (2022: 43,963,529)	18,075	18,075
132,500 – ordinary shares of 25p each held in treasury (2022: 132,500)	(1,001)	(1,001)
	133,590	133,590

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 (2022: 3,997,760 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 2022	72,000,000	43,950,529
Issued during 2022	–	13,000
At 31 December 2022 and 2023	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.

21. Disposal of subsidiaries

As referred to under **Initiatives** in the **Introduction and strategic environment** section of the **Strategic report** in the annual report, the group disposed of its interests in KKP, KKS, and PBJ2.

The net assets of these subsidiaries at the date of disposal were as follows:

	$'000
PPE	489
Trade and other receivables	519
Cash	1,340
	2,348
Trade and other payables	(26)
Net assets	2,322
Translation reserve	685
Non-controlling interest	(337)
Total net assets disposed	2,670
Consideration received	1,810
Loss on disposal (see note 6)	(860)

22. Movement in net borrowings

	2023 $'000	2022 $'000
Change in net borrowings resulting from cash flows:		
Decrease in cash and cash equivalents, after exchange rate effects	(7,719)	(24,978)
Net decrease in bank borrowings	9,675	8,843
(Decrease) / increase in dollar notes held in treasury	(8,142)	8,570
(Increase) / decrease in borrowings from non-controlling shareholder	(8,606)	697
Transfer of borrowings to assets held for sale	10,641	–
Net decrease in related party borrowings	–	51
	(4,151)	(6,817)
Amortisation of sterling note issue expenses and premium	(188)	(182)
Cost of extension of redemption date of dollar notes	–	252
Gain on extension of redemption date of dollar notes	–	495
Loss on disposal of dollar notes held in treasury	(428)	–
Amortisation of dollar note issue expenses	(160)	(174)
Amortisation of bank loan expenses	(1,266)	(1,369)
	(6,193)	(7,795)
Currency translation differences	(5,262)	16,734
Net borrowings at beginning of year	(166,729)	(175,668)
Net borrowings at end of year	(178,184)	(166,729)

23. 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** in the annual report.

	2023 $'000	2022 $'000
Short term benefits	1,222	1,094

24. Reconciliation to published circular

Within the Class 1 circular published on 25 January 2024 there was a table detailing the net indebtedness of the group at 31 December 2023. As per LR 9.2.18 a comparison between the figures published in the circular and those contained within this annual report is as follows:

	Actual $'000	Circular $'000
Dollar notes	26,572	26,572
Sterling notes	40,549	40,501
Loans from DSN group	13,484	24,125
Indonesian term bank loans	102,757	102,626
Drawings under short term (working capital) banking facilities	2,919	2,919

Short term revolving borrowings	6,098	–
	192,379	196,743
Cash and cash equivalents	(14,195)	(8,123)
End of year	178,184	188,620

In net debt the loans from the DSN group are $13.5 million compared to $24.1 million in the circular. The difference is due to $10.6 million of loans that have been reclassified as held for sale (see note 19).

At 31 December 2023 there were $6.1 million short term revolving borrowings. Under the Mandiri facilities, the group is required to leave agreed amounts of cash on deposit but is allowed additional borrowings equal to the amount of the blocked cash (see note 15). Within the circular this amount was treated as a reduction in cash but in these financial statements as an addition to bank borrowings.

25. Rates of exchange

	2023 Closing	2023 Average	2022 Closing	2022 Average
Indonesian rupiah to US dollar	15,416	15,219	15,731	14,917
US dollar to pounds sterling	1.2747	1.2471	1.2056	1.2301

26. Events after the reporting period

As stated in note 19, in 2023 the group entered into a share subscription agreement with DSN. The agreement with DSN, the terms of which were set out in detail in a circular to shareholders in January 2024, were approved at a general meeting of shareholders held in February 2024. Closing of the further DSN share subscription, including the financial settlements due on closing, was completed in March 2024. The intra-group sale and purchase of PU was also completed in March 2024 affording the group the benefit of the whole of any profit that can be realised from the development of PU as a new oil palm plantation.

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 of the annual report.

Press enquiries to:
R.E.A. Holdings plc
Tel: 020 7436 7877

ISIN:	GB0002349065
Category Code:	ACS
TIDM:	RE.
LEI Code:	213800YXL94R94RYG150
Sequence No.:	317750
EQS News ID:	1888749

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