Annual Financial Report

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R.E.A.Hldgs PLC
25 April 2016

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

ANNUAL FINANCIAL REPORT

The company's annual report for the year ended 31 December 2015 (including notice of the annual general meeting to be held on 6 June 2016) (the "annual report") will shortly be available for downloading from the company's web site at www.rea.co.uk.

Upon completion of bulk printing, copies of the annual report will be despatched to persons entitled thereto and will be submitted to the National Storage Mechanism to be made available for inspection at www.hemscott.com/nsm.do

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

HIGHLIGHTS

Financial

- Revenues of $90.5 million (2014: $125.9 million)
- Operating profit of $17.2 million (2014: $32.1 million),reflecting lower revenues partly offset by significant cost savings
- Profit before tax of $11.5 million (2014: $23.7 million)
- Net new investment of $34.8 million (2014: $38.2 million)
- 4.2 million preference shares issued by way of a cash placing raised $7.8 million net of expenses
- 1.8 million ordinary shares issued by way of a cash placing raised $6.8 million net of expenses
- Redemption date of £26.2 million nominal of 2015/2017 sterling notes extended to 2020, by way of an exchange offer and placing to raise $4.1 million net of expenses
- 2 new bank facilities arranged in Indonesia totalling $22.4 million

Agricultural operations

- Crop of fresh fruit bunches ("FFB") 609,389 tonnes (2014: 631,728 tonnes) and crude palm oil ("CPO") 163,880 tonnes (2014: 169,466 tonnes)
- Steady and continuous improvement in CPO extraction rates and now averaging close to 24 per cent

- Over 4,200 hectares of new land developed of which over 2,200 hectares planted
- Completion of the perimeter bunding and water gates to control flooding at PBJ; installation of water pumping equipment now being installed
- Major refurbishment of 3 out of 4 boilers in the older mills now complete ensuring resilience and enhancing both efficiency and capacity
- New jetty constructed at Sungai Mariam
- Agreement finalised to swap land held by PT Prasetia Utama in exchange for land currently held by PT Sasana Yudha Bhakti with completion expected in 2016

Sustainability

- Second sustainability report published highlighting success in meeting the group's targets since 2013
- Pioneering arrangement for the sale of renewable energy generated from the methane capture plants to distribute to 24 local villages, with 34% out of a total of 13,000 village households already connected
- Completion of 2 new estate schools
- Completion of 3 village water treatment community development projects
- Mapping project completed to ensure traceability and optimise the quality of smallholder fruit maximising yields and profitability and meeting international standards
- 3 regional awards for corporate and social responsibility by the plantation sector

CHAIRMAN'S STATEMENT

I would like to take this opportunity to introduce myself as the new chairman of REA. I took over as chairman at the beginning of 2016 and, at the same time, Mark Parry succeeded John Oakley as Managing Director. Both Mark and I have had a long association with the company: I have served on the board as the senior independent director for seven years; Mark joined REA in May 2011 as the group's regional director based in Singapore.

FFB yields and the CPO price have presented a number of challenges this year. However, REA has made good strides in identifying causes of the FFB yield reduction and these are currently being addressed. The group has also continued its drive to reduce costs and to improve extraction rates, making a number of operational improvements in 2015.

Production levels in 2015 were lower than in 2014. The volume of the group's fresh fruit bunches ("FFB") harvested amounted to some 609,000 tonnes compared with 632,000 tonnes in 2014, while smallholder FFB processed by the group amounted to some 139,000 tonnes, compared with 149,000 tonnes in 2014.

Unusual weather patterns and social issues with surrounding communities (particularly in 2011 and 2012) have had a negative impact on FFB yields in recent years. Moreover, it is clear that the El Niño weather phenomenon experienced to an extent in both 2014 and 2015 is resulting in reduced oil palm yields in many parts of Malaysia and Indonesia. The group now believes that weather and relations with the communities surrounding its estates, which are now much improved, have not been the only causes of recent lower yields. The group's newly installed information systems have permitted more detailed analysis of estate block results than was previously possible and, based on these, the group has concluded that certain areas, particularly those that are hilly or where soils are poor, will benefit from the application of increased fertiliser dosages. It is expected that, over time, this will result in an improvement in crop levels.

Crude palm oil ("CPO") production amounted to some 164,000 tonnes in 2015, compared with 169,000 tonnes in 2014. This reflected the reduced crop and lower purchases of fruit from smallholders as noted above, partially offset by improving extraction rates in the oil mills.

The price of CPO per tonne, CIF Rotterdam, dropped to a low of $480 per tonne in late August and averaged $612 per tonne for the year compared with $828 per tonne in 2014. This price weakness reflected the general collapse in petroleum prices which in turn led to a decline in the consumption of CPO for biodiesel. Prices subsequently recovered to $560 per tonne at the end of 2015 and are currently standing at $745 per tonne. The impact of the lower prices was exacerbated by a new levy of $50 per tonne on CPO exports introduced in July 2015. The average price realised by the group for its own production in 2015 was $485 per tonne, compared with $665 in 2014, reflecting in part regional price differentials which were greater than usual.

Lower production and the weakness of CPO prices contributed to falls in both revenues and gross profits for 2015 to, respectively, $90.5 million (2014: $125.9) and $17.0 million ($46.3 million). Profit before tax amounted to $11.5 million (2014: $23.7 million), including a $13.1 million gain arising from changes in the fair value of biological assets (2014: $3.6 million).

The drive to reduce costs and increase operating efficiencies yielded positive results in 2015 and these initiatives are continuing in 2016. The total number of workers on the estates was reduced significantly from 9,800 at the beginning of the year to approximately 7,400 at the year end primarily reflecting a reduction in the number of temporary employees. Refurbishment of three boilers in the two older mills was completed during the year and refurbishment of the fourth boiler will be completed shortly. As a consequence, CPO extraction rates are steadily being restored to historic levels, achieving 23.5 per cent by the year end, and currently averaging close to 24.0 per cent. Installation of a second boiler at the group's newest mill at Satria is expected to be completed in 2017 to increase processing capacity in this mill to 80 tonnes per hour.

Good progress was made during the year with development of the group's newer land areas held by PT Putra Bongan Jaya ("PBJ") and PT Cipta Davia Mandiri ("CDM"). In excess of 4,200 hectares were cleared and some 2,200 hectares planted during the year. Planting of cleared areas has continued at a good pace in the first few months of 2016 and represents a significant improvement compared with the progress of recent years. In PBJ, construction of the perimeter bunding and installation of water pumping equipment to control flooding during the wetter months of the year is now almost complete.

The group also made progress in finalising the legal, financial and management agreements needed for the smallholder cooperatives and in completing the field surveys necessary for the development of the plasma schemes in compliance with the group's policy on responsible development of new land, including high conservation value and carbon stock assessments.

As previously reported, the company's pioneering arrangement with the Indonesian National Electricity company ("PLN") for the supply of renewable energy generated by the group's methane capture facilities to local villages came to fruition in April 2015. The majority of the 24 villages and sub villages are now connected bringing electricity supplies to some 13,000 households. Revenue from electricity sales amounted to some $233,000 in 2015 and, with the rate of uptake accelerating each month, amounted to some $133,000 in the first three months of 2016.

The group is working towards concluding negotiations with a third party in respect of the stone quarry. Cooperation arrangements for mining the group's principal coal concession by a third party remain in place to permit resumption of mining when coal prices improve.

Looking ahead, the outlook for the CPO price is encouraging, with petroleum oil prices making some recovery and expected growth in general demand for CPO, supported by the recent increase in Indonesia in the mandated usage for biodiesel from 15 to 20 per cent. By contrast, the first quarter of the year has seen lower FFB production and yields compared with the corresponding period in 2015. Whilst the El Niño weather event is likely to be a contributory factor, the group is working to address the recent shortfall with more rigorous harvesting routines and by adapting the current fertiliser regime, so that over a period crop levels should start to improve. Combined with the recent expansion of plantings and steady improvements in extraction rates, the operations are well placed to benefit from any further strengthening of the CPO price.

In view of the financial performance in 2015, the directors have not recommended the payment of any dividend on the ordinary shares in respect of 2015.

Considerable time and effort was devoted in 2015 to addressing the group's funding profile. The group issued and placed for cash both ordinary and preference shares, extended the maturity of the sterling loan notes, negotiated and drew two new bank facilities in Indonesia and settled a long-term sterling-dollar swap. However, the shortening maturity profile of a significant proportion of the group's borrowings remains a concern with some $84 million of term bank loans and notes repayable during 2016 and 2017 (of which some $15 million will fall due in 2016) and a further $35 million of borrowings provided under working capital lines that revolve annually, although the directors have no reason to believe that these will not be renewed.

To address this concern, the group is pursuing several initiatives. Negotiations are at an advanced stage with the group's Indonesian bankers with a view to confirming renewal of the working capital lines and amending term bank loans to extend their tenor and reduce early repayments. At the same time, the group has initiated discussions on refinancing the notes maturing in 2017.

However, the group also would clearly benefit from permanent capital. Over the last year, exploratory talks have been held with a considerable number of potential trade investors and these have resulted in current active discussions with a limited shortlist of interested parties primarily directed at securing a strategic third party investment in the company's principal operating subsidiary in Indonesia, PT REA Kaltim Plantations. Should funding be required pending completion of these discussions, the group will seek to place for cash a limited number of new ordinary shares and the necessary authorities to permit further issues are being sought at the company's forthcoming annual general meeting.

I would like to conclude my report by thanking both Richard Robinow, my predecessor, and John Oakley, the company's managing director until the end of 2015, for all their work and efforts in building the company from its first plantings back in 1994 into what it is today. On behalf of the board of directors I would like to express our gratitude. The company is fortunate that both Richard and John have agreed to remain on the board as non-executive directors and to continue to assist the company, in particular in relation to strategic, financial and agronomical matters.

There is much to take encouragement from for the year ahead. Both Mark and I look forward to contributing towards the company's success in the coming months and years.

DIVIDENDS

The fixed dividends on the 9 per cent cumulative preference shares that fell due on 30 June and 31 December 2015 were duly paid. In view of the difficult conditions that faced the group during 2015 and in light of the 2015 results, the directors have concluded that, as previously announced, they should not declare or recommend the payment of any dividend on the ordinary shares in respect of 2015.

ANNUAL GENERAL MEETING

The fifty-sixth annual general meeting of R.E.A. Holdings plc will be held at the London office of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA on 6 June 2016 at 10.00 am.

RISKS AND UNCERTAINTIES

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

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

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

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

Potentially significant risks are detailed below under "Produce prices", "Community relations", "Country exposure" and "Funding". Funding is now perceived to be a significant risk as the combination of weak produce prices and the imminence of certain debt repayments have increased its importance.

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;	Operations are located in an area o high rainfall. Notwithstanding some seasonal variations, annual rainfall usually adequate for normal development

	the reduction is likely to be broadly proportional to the cumulative size of the water deficit	
Overcast conditions	Delayed crop formation resulting in loss of potential revenue	Normal sunshine hours in the location of the operations are well suited to the cultivation of oil palm
Low levels of rainfall disrupting river transport or, in an extreme situation, bringing it to a standstill	Inability to obtain delivery of estate supplies or to evacuate CPO and CPKO (possibly leading to suspension of harvesting)	The group has established a permanent downstream loading facility, where the river is tidal. In addition, road access between the ports of Samarinda and Balikpapan and the estates now offers a viable alternative route for transport and any associated additional cost is more than outweighed by the potential negative impact of disruption to the business cycle by any delay in evacuating CPO
Cultivation risks		
Pest and disease damage to oil palms and growing crops	A loss of crop or reduction in the quality of harvest resulting in loss of potential revenue	The group adopts best agricultural practice to limit pests and diseases
Other operational factors		
Shortages of necessary inputs to the operations, such as fuel and fertiliser	Disruption of operations or increased input costs leading to reduced profit margins	The group maintains stocks of necessary inputs to provide resilience and is investing to improv its self-reliance in relation to fuel an fertiliser
A hiatus in collection or processing of FFB crops	FFB crops becoming rotten or over-ripe leading either to a loss of CPO production (and hence revenue) or to the production of CPO that has an above average free fatty acid content and is saleable only at a discount to normal market prices	The group endeavours to maintain resilience in its palm oil mills with each of the mills operating separate and some ability within each mill to switch from steam based to biogas 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 resulting in a loss of potential revenue	The group's bulk storage facilities have substantial capacity and furth storage facilities are afforded by the fleet of barges. Together, these hav 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 managemer 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 production and a consequent reduction in cash flow and profit	Price swings should be moderated the fact that the annual oilseed crop 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 duties (as has occurred in the past for short periods)	Reduced revenue from the sale of CPO and CPKO production and a consequent reduction in cash flow and profit	The Indonesian government allows the free export of CPO and CPKO but applies a sliding scale of duties on exports which allows producers economic margins. The extension this sliding scale to incorporate a $5 per tonne export levy to fund biodiesel subsidies is supporting the local price of CPO and CPKO
Distortion of world markets for CPO and CPKO by the imposition of import controls or taxes in consuming countries	Depression of selling prices for CPO and CPKO if arbitrage between markets for competing vegetable oils proves insufficient to compensate for the market distortion created	The imposition of controls or taxes CPO or CPKO in one area can be expected to result in greater consumption of alternative vegetab oils within that area and the substitution outside that area of CP and CPKO for other vegetable oils
Expansion		
Failure to secure in full, or delays in securing, the land or funding required for the group's planned extension planting programme	Inability to complete, or delays in completing, the planned extension planting programme with a consequential reduction in the group's prospective growth	The group holds substantial fully titled or allocated land areas suitab for planting. It works continuously t obtain and maintain up to date permits for the planting of these areas and aims to manage its finances to ensure, in so far as practicable, that it will be able to fur the planned extension planting programme
A shortfall in achieving the group's planned extension planting programme impacting negatively the annual revaluation of the group's biological assets	A reduction in reported profit and a possible adverse effect on market perceptions as to the value of the company's securities	Movements on the annual revaluation of the group's biological assets do not affect the group's underlying cash flow
Environmental, social and governance practices		
Failure by the agricultural operations to meet the standards expected of them as a large employer of significant economic importance to local communities	Reputational and financial damage	The group has established standard practices designed to ensure that it meets its obligations, monitors performance against those practice and investigates thoroughly and takes action to prevent recurrence i 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	Reputational and financial damage	The group is committed to sustainable development of oil paln and has obtained RSPO certificatio for most of its current operations. A group oil palm plantings are on lanc areas that have been previously logged and zoned by the Indonesia authorities as appropriate for

inhabited by diverse flora and fauna		agricultural development. The grou maintains substantial conservation reserves that safeguard landscape level biodiversity
Community relations		
A material breakdown in relations between the group and the host population in the area of the agricultural operations	Disruption of operations, including blockages restricting access to oil palm plantings and mills, resulting in reduced and poorer quality CPO and CPKO production	The group seeks to foster mutually beneficial economic and social interaction between the local village and the agricultural operations. In particular, the group gives priority to applications for employment from members of the local population, encourages local farmers and tradesmen to act as suppliers to the group, its employees and their dependents and promotes smallholder development of oil paln 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 agreemen 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 operations		
Operational factors		
Failure by external contractors to achieve agreed production volumes	Loss of prospective revenue	The group endeavours to use experienced contractors, to supervi them closely and to take care to ensure that they have equipment of capacity appropriate for the planned production volumes once operation have commenced
External factors, in particular weather, delaying or preventing delivery of extracted stone	Delays to receipt or loss of revenue	Deliveries are not normally time critical and adverse external factors would not normally have a continuin impact for more than a limited perio
Geological assessments, which are extrapolations based on statistical sampling, proving inaccurate	Unforeseen extraction complications causing cost overruns and production delays	The group seeks to ensure the accuracy of geological assessment of any extraction programme and taking expert geological advice on the results
Prices		

Local competition reducing stone prices	Reduced revenue and a consequent reduction in cash flow and profit	There are currently no other stone quarries in the vicinity of the group's concession and the cost of transporting stone should restrict competition
Imposition of additional royalties or duties on the extraction of stone	Reduced revenue and a consequent reduction in cash flow and profit	The Indonesian government has no to date imposed measures that wou seriously affect the viability of Indonesian stone quarrying operations
Unforeseen variations in quality of deposits	Inability to supply product within the specifications that are, at any particular time, in demand with consequent loss of revenue	Geological assessments ahead of commencement of extraction operations should have identified a material variations in quality
Environmental, social and governance practices		
Failure by the stone operations to meet the expected standards	Reputational and financial damage	The area of the stone concession is relatively small and should not be difficult to supervise. The group is committed to international standard of best environmental and social practice and, in particular, to proper management of waste water and reinstatement of quarried areas on completion of extraction operations
General		
Currency		
Strengthening of sterling or the Indonesian rupiah against the dollar	Adverse exchange movements on those components of group costs and funding that arise in Indonesian rupiah or sterling and are not hedged against the dollar	As respects costs and sterling denominated shareholder capital, th group considers that this risk is inherent in the group's business an structure and must simply be accepted. As respects borrowings, where efficient the group seeks to borrow in dollars but, when borrowi in another currency, considers it better to accept the resultant currency risk than to hedge that risk with hedging instruments
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 o debt who have generally been receptive to reasonable requests to moderate debt profiles when circumstances require; moreover, th directors believe that the fundamental profitability of the group's business will facilitate divestment of assets or procuremen 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. Export sales are made either against letters of credit or on the basis of cash against documents
Regulatory exposure		
Failure to renegotiate the existing arrangements relating to the stone interests	Limitation of the group's return from these interests to the loans advanced	Current regulations in Indonesia lim foreign investment in mining concessions
New, and changes to, laws and regulations that affect the group (including, in particular, laws and regulations relating to land tenure, work permits for expatriate staff and taxation)	Restriction on the group's ability to retain its current structure or to continue operating as currently	Save as noted above regarding interests in stone, the directors are not aware of any specific changes that would adversely affect the grou to a material extent; current regulations restricting the size of oil palm growers in Indonesia will not impact the group for the foreseeabl future
Breach of the various continuing conditions attaching to the group's land rights and the stone quarry concession (including conditions requiring utilisation of the rights and concessions) or failure to maintain all permits and licences required for the group's operations	Civil sanctions and, in an extreme case, loss of the affected rights or concessions	The group endeavours to ensure compliance with the continuing conditions attaching to its land right and concessions and that activities are conducted within the terms of th licences and permits that are held and that licences and permits are obtained and renewed as necessar
Failure by the group to meet the standards expected in relation to bribery and corruption	Reputational damage and criminal sanctions	The group has traditionally had, and continues to maintain, strong contro 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
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 bu in the late 1990s Indonesia experienced severe economic turbulence and there have been subsequent occasional instances o civil unrest, often attributed to ethni tensions, in certain parts of Indonesia. The group has never, since the inception of its East Kalimantan operations in 1989, bee adversely affected by regional security problems
Introduction of exchange controls or other restrictions on foreign owned operations in Indonesia	Restriction on the transfer of profits from Indonesia to the UK with potential consequential negative implications for the servicing of UK obligations and	The directors are not aware of any circumstances that would lead them to believe that, under current politic conditions, any Indonesian government authority would impose

	payment of dividends; loss of effective management control	exchange controls or otherwise see to restrict the group's freedom to manage its operations
Mandatory reduction of foreign ownership of Indonesian plantation operations	Forced divestment of interests in Indonesia at below market values with consequential loss of value	The group accepts there is a significant possibility that foreign owners may be required over time t partially divest ownership of Indonesian oil palm operations but has no reason to believe that such divestment would be at anything other than market value. The grou aims to mitigate such risk by listing REA Kaltim on the Indonesia Stock Exchange in Jakarta and/or by a transaction with a local investor
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 "Sustainabilit section of the annual report
Breakdown in relationships with the local shareholders in the company's Indonesian subsidiaries	Reliance on the Indonesian courts for enforcement of the agreements governing its arrangements with local partners with the uncertainties that any juridical process involves and with any failure of enforcement likely to have a material negative impact on the value of the stone and coal operations because the concessions are at the moment legally owned by the group's local partners	The group endeavours to maintain cordial relations with its local investors by seeking their support f decisions affecting their interests a responding constructively to any concerns that they may have

VIABILITY STATEMENT

The group's business activities, together with the factors likely to affect its future development, performance and 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 flow, liquidity and financing adequacy, and treasury policies. In addition, the consolidated financial statements include information as to the group's policy, objectives and processes for managing capital, its financial risk management objectives, details of financial instruments and hedging policies and exposures to credit and liquidity risks. The "Risks and uncertainties" section of the Strategic report describes the steps taken by the group to manage risk. In particular there are risks associated with the group's local operating environment and the group is materially dependent upon selling prices for crude palm oil ("CPO") and crude palm kernel oil over which it has no control.

As respects funding risk, the group has material indebtedness, in the form of bank loans and listed notes. Some $15.4 million of bank term indebtedness falls due for repayment during 2016 and a further $35.5 million of revolving working capital lines fall due for renewal during the same period. Thereafter, in the period to 31 December 2017, a further $22.6 million of bank term indebtedness and $46.4 million of listed notes will be repayable. In view of the material proportion of the group's indebtedness falling due in the period to 31 December 2017, as described above, the directors have chosen this period for their assessment of the long-term viability of the group.

The group is at an advanced stage in negotiations with its bankers in Indonesia to extend the tenor and reduce nearer term repayments on bank term loans totalling $62.1 million (being the bank loans in respect of which repayments are due in 2016 and 2017). In addition, the group has initiated discussions to refinance with longer term debt the listed notes falling due for repayment in 2017. The directors have no reason to believe that the revolving working capital facilities will not be rolled over when the existing facilities expire.

In addition the group has, in recent months, been actively exploring the possibility of raising additional permanent capital from a transaction with a strategic investor. Discussions with a short list of potential strategic investors are now at an advanced stage. If such discussions can be successfully concluded, the outcome would be likely to resolve or significantly reduce the group's requirement for additional liquidity. Should funding be required pending completion of these discussions, the group will seek to place for cash a limited number of ordinary shares and the necessary authorities to permit further issues are being sought at the forthcoming annual general meeting of the company. Flexibility also exists in making decisions on the rate of extension planting which may be accelerated or scaled back in the light of available finance.

The directors fully expect that the foregoing measures will refinance, or permit the group to repay, the group indebtedness falling due for repayment during 2016 and 2017. Moreover, as the benefits of recent improvements in operational efficiencies start to flow through and CPO prices gradually improve, the group's operations can be expected to generate increasing cash flows going forward.

Based on the foregoing and after making enquiries, the directors therefore have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the period to 31 December 2017. Moreover, the directors consider that, taking into consideration the maturity profile of the group's debt and given the operating resilience of the business, the group will remain viable thereafter at least until 2020, being a period of four years.

GOING CONCERN

The business risks are set out in the Strategic report with an indication of those risks regarded by the directors to be potentially significant together with mitigating and other relevant considerations for the management of risks. The financing policies are described on page 36 of the strategic report and the 2015 developments relating to capital structure are contained in the 'Finance' section of the strategic report under 'Capital Structure'. The directors have set out their assessment of liquidity and financing adequacy in the strategic report including the actions either in progress or contemplated in order to ensure adequate liquidity for the next twelve months.

Accordingly, having made due enquiries, the directors reasonably expect that the company and the group have adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements, and therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

DIRECTORS' CONFIRMATION OF RESPONSIBILITY

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

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

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

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	20
	$'000	$'0
Revenue	90,515	125,8
Net loss arising from changes in fair value of agricultural produce inventory	(1,147)	(1,6
Cost of sales	(72,406)	(77,9
Gross profit	16,962	46,2
Net gain arising from changes in fair value of biological assets	13,060	3,5
Other operating income	2	
Distribution costs	(1,097)	(1,3
Administrative expenses	(11,702)	(16,3
Operating profit	17,225	32,1
Investment revenues	259	3
Finance costs	(5,951)	(8,7
Profit before tax	11,533	23,7
Tax	(6,631)	(1,7
Profit for the year	4,902	21,9
Attributable to:		
Ordinary shareholders	(3,964)	14,1
Preference shareholders	8,461	8,1
Non-controlling interests	405	(3

	4,902	21,9
(Loss)/earnings per 25p ordinary share	(11.2 cents)	40.3 ce

All operations for both years are continuing

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015

	2015 $'000	20 $'0
Non-current assets		
Goodwill	12,578	12,5
Biological assets	339,091	310,1
Property, plant and equipment	155,642	151,1
Prepaid operating lease rentals	34,295	33,8
Indonesian stone and coal interests	35,338	31,3
Deferred tax assets	15,787	8,9
Non-current receivables	1,395	2,7
Total non-current assets	594,126	550,7
Current assets		
Inventories	11,190	16,1
Investments	2,158	
Trade and other receivables	29,103	25,4
Cash and cash equivalents	15,758	16,2
Total current assets	58,209	57,8
Total assets	652,335	608,6
Current liabilities		
Trade and other payables	(27,025)	(17,8
Current tax liabilities	(3,406)	(2,5
Bank loans	(50,906)	(40,3
Sterling notes	-	(14,6
Hedging instruments	-	(9,5
Other loans and payables	(93)	(1,2
Total current liabilities	(81,430)	(86,2
Non-current liabilities		
Bank loans	(72,034)	(60,6
Sterling notes	(55,853)	(37,7
US dollar notes	(33,637)	(33,4
Deferred tax liabilities	(92,168)	(77,1
Other loans and payables	(5,558)	(6,8
Total non-current liabilities	(259,250)	(215,8

Total liabilities	(340,680)	(302,0
Net assets	311,655	306,6
Equity		
Share capital	120,288	112,9
Share premium account	30,683	23,3
Translation reserve	(46,282)	(44,3
Retained earnings	204,429	212,9
	309,118	304,9
Non-controlling interests	2,537	1,6
Total equity	311,655	306,6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 $'000	20 $'0
Profit for the year	4,902	21,9
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Actuarial losses	(489)	(2
Deferred tax on actuarial losses	122	
	(367)	(1
Items that will not be reclassified to profit or loss: instrument		
Exchange differences on translation of foreign operations	3,575	(8,4
Exchange differences on deferred tax	(5,082)	(3,3
	(1,874)	(11,9
Total comprehensive income for the year	3,028	9,9
Attributable to:		
Ordinary shareholders	(5,838)	2,1
Preference shareholders	8,461	8,1
Non-controlling interests	405	(3
	3,028	9,9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share	Share	Translation	Retained	Sub	Non-	Total

	capital	premium	reserve	earnings	total	controlling interests	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2014	101,574	25,161	(32,549)	203,225	297,411	2,030	299,441
Total comprehensive income	-	-	(11,775)	22,123	10,348	(349)	9,999
Issue of new preference shares (cash)	8,946	1,618	-	-	10,564	-	10,564
Issue of new preference shares (scrip)	3,420	(3,420)	-	-	-	-	-
Purchase of treasury shares	(966)	7	-	-	(959)	-	(959)
Dividends to preference shareholders	-	-	-	(8,140)	(8,140)	-	(8,140)
Dividends to ordinary shareholders	-	-	-	(4,280)	(4,280)	-	(4,280)
At 31 December 2014	112,974	23,366	(44,324)	212,928	304,944	1,681	306,625
Total comprehensive income	-	-	(1,958)	4,130	2,172	856	3,028
Issue of new preference shares (cash)	6,639	1,199	-	-	7,838	-	7,838
Issue of new ordinary shares (cash)	675	6,118	-	-	6,793	-	6,793
Dividends to preference shareholders	-	-	-	(8,461)	(8,461)	-	(8,461)
Dividends to ordinary shareholders	-	-	-	(4,168)	(4,168)	-	(4,168)
At 31 December 2015	120,288	30,683	(46,282)	204,429	309,118	2,537	311,655

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	20
	$'000	$'0
Net cash from operating activities	20,063	24,3
Investing activities		
Interest received	259	3
Proceeds from disposal of property, plant and equipment	2,512	
Purchases of property, plant and equipment	(15,785)	(14,8
Expenditure on biological assets *	(16,563)	(18,5
Expenditure on prepaid operating lease rentals	(1,250)	(4,2
Investment in Indonesian stone and coal interests	(4,004)	(8
Net cash used in investing activities	(34,831)	(38,1

Financing activities		
Preference dividends paid	(8,461)	(8,1
Ordinary dividends paid	(4,168)	(4,2
Repayment of borrowings	(9,620)	(30,7
Proceeds of issue of ordinary shares	6,793	
Proceeds of issue of sterling notes, less costs of issue	4,086	
Proceeds of issue of sterling notes, by exchange	39,921	
Purchase of treasury shares, net of sales	-	(9
Proceeds of issue of preference shares	7,838	10,5
Redemption of US dollar notes	-	(6,3
Redemption of sterling notes, by exchange	(39,921)	
Payment on termination of hedging contract	(10,184)	(
Purchase of sterling notes	(2,158)	
New bank borrowings drawn	30,326	35,4
Net cash from/(used in) financing activities	14,452	(4,4
Cash and cash equivalents		
Net decrease in cash and cash equivalents	(316)	(18,2
Cash and cash equivalents at beginning of year	16,224	34,5
Effect of exchange rate changes	(150)	(1
Cash and cash equivalents at end of year	15,758	16,2

* Net of capitalised depreciation and amortisation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The accompanying financial statements and notes 1 to 14 below (together the "accompanying financial information") have been extracted without material adjustment from the financial statements of the group for the year ended 31 December 2015 (the "2015 financial statements "). The auditor has reported on those accounts; the reports were unqualified and did not contain statements under sections 498(2) or (3) of the Companies Act 2006. Copies of the 2015 financial statements will be filed in the near future with the Registrar of Companies. The accompanying financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 of the company.

Whilst the 2015 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as at the date of authorisation of those accounts, the accompanying financial information does not itself contain sufficient information to comply with IFRS.

The 2015 financial statements and the accompanying financial information were approved by the board of directors on 22 April 2016.

2. Revenue

	2015	20
	$'000	$'0

Sales of goods	87,824	124,5
Revenue from services	2,691	1,3
	90,515	125,8
Other operating income	2	
Investment income	259	3
Total revenue	90,776	126,2

3. Segment information

In the table below, the group's sales of goods are analysed by geographical destination and the carrying amount of net assets is analysed by geographical area of asset location. The group operates in two segments: the cultivation of oil palms and stone and coal operations. In 2015 and 2014, the latter did not meet the quantitative thresholds set out in IFRS 8 "Operating segments" and, accordingly, no analyses are provided by business segment.

	2015	20
	$'m	$
Sales by geographical location:		
Indonesia	90.5	12
Rest of Asia	-	
	90.5	12
Carrying amount of net assets by geographical area of asset location:		
UK, Continental Europe and Singapore	58.0	5
Indonesia	253.7	24
	311.7	30

4. Agricultural produce inventory movement

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

5. Administrative expenses

	2015	20
	$'000	$'0
Net foreign exchange losses/(gains)	818	(3
Net (credit)/charge for additional pension contributions	(2,267)	3
Loss on disposal of fixed assets	49	4
Indonesian operations	11,556	13,7
Head office	6,160	5,5
	16,316	19,7
Amount included as additions to biological assets	(4,614)	(3,3

	11,702	16,3

6. Finance costs

	2015	20
	$'000	$'0
Interest on bank loans and overdrafts	8,130	4,8
Interest on US dollar notes	2,716	3,4
Interest on sterling notes	5,042	5,4
Change in value of sterling notes arising from exchange fluctuations	(4,946)	(3,3
Movements relating to derivative financial instruments	1,685	2,4
Change in value of loans arising from exchange fluctuations	(2,694)	(3
Other finance charges	887	(4
	10,820	12,0
Amount included as additions to biological assets	(4,869)	(3,2
	5,951	8,7

Amounts included as additions to biological assets and construction in progress arose on borrowings applicable to the Indonesian operations and reflected a capitalisation rate of 27.3 per cent (2014: 16.8 per cent); there is no directly related tax relief.

7. Tax

	2015	20
	$'000	$'0
Current tax:		
UK corporation tax	-	
Overseas withholding tax	1,467	
Foreign tax	50	7,7
Foreign tax - prior year	1,778	(7,0
Total current tax	3,295	7
Deferred tax:		
Current year	2,958	2,0
Prior year	378	(1,0
Total deferred tax	3,336	1,0
Total tax	6,631	1,7

Taxation is provided at the rates prevailing for the relevant jurisdiction. For Indonesia, the current and deferred taxation provision is based on a tax rate of 25 per cent (2014: 25 per cent) and for the United Kingdom, the taxation provision reflects a corporation tax rate of 20.25 per cent (2014: 21.5 per cent) and a deferred tax rate of 20 per cent (2014: 20 per cent).

8. (Loss)/earnings per share

	2015	20
	$'000	$'0
(Loss)/earnings for the purpose of earnings per share*	(3,964)	14,1

* being net (loss)/profit attributable to ordinary shareholders

	'000	'0
Weighted average number of ordinary shares for the purposes of (loss)/earnings per share	35,455	35,0

9. Dividends

	2015	20
	$'000	$'0
Amounts paid and recognised as distributions to equity holders:		
Preference dividends of 9p per share	8,461	8,1
Ordinary dividends of 7.75p per share (2014: 7.25p)	4,168	4,2
	12,629	12,4

10. Biological assets

	2015	20
	$'000	$'0
Beginning of year	310,175	288,1
Opening balance adjustment	(363)	
Additions to planted area and costs to maturity	24,766	20,6
Transfers to property, plant and equipment	(8,202)	(2,0
Transfers to current receivables	(345)	(
Net biological gain	13,060	3,5
End of year	339,091	310,1

Net biological gain comprises:		
Fair value of crops harvested during the year	(46,164)	(87,6
Gain arising from movement in fair value attributable to other physical changes	43,933	76,8
Gain arising from movement in fair value attributable to price changes	15,291	14,4
	13,060	3,5

The fair value determination assumed a discount rate of 15 per cent in the case of REA Kaltim, SYB and KMS and 18 per cent in the case of all other group companies (2014: 15 per cent in the case of REA Kaltim and SYB, 16.5 per cent in the case of KMS and 18 per cent in the case of all other group companies) and a standard unit margin of $63.9 per tonne of oil palm FFB (2014: standard unit margin of $60.9 per tonne of FFB).

The valuation of the group's biological assets would have been reduced by $17,340,000 (2014: $10,370,000) if the crops projected for the purposes of the valuation had been reduced by 5 per cent; by $15,830,000 (2014: $9,030,000) if the discount rates assumed had been increased by 1 per cent and by $27,160,000 (2014: $20,650,000) if the assumed unit profit margin per tonne of oil palm FFB had been reduced by $5.

Because substantially the entire business of the group consists of agricultural activities, the group's financial risk management strategies relating to agricultural activities are the same as its overall financial risk management strategies. At 31 December 2015, the group had no outstanding forward sale contracts at fixed prices (2014: none).

At the balance sheet date, biological assets of $212.4 million (2014: $164.0 million) had been charged as security for bank loans but there were otherwise no restrictions on titles to the biological assets (2014: none). Expenditure approved by the directors for the development of immature areas in 2016, subject to availability of funding, amounts to $27 million (2014: $26 million).

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

During the year, there were additions to property, plant and equipment of $7,583,000 (2014: $12,797,000).

At the balance sheet date, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $1,155,000 (2014: $3,873,000).

11. Issuance of equity securities

Changes in share capital:

- on 1 July 2015, 4,221,000 9 per cent cumulative preference shares were issued, fully paid, by way of a placing at £1.20 a share (total consideration £5,065,000 - $7,970,000)
- on 15 October 2015, 1,754,260 ordinary shares were issued, credited as fully paid, by way of placing at £2.60 per share (total consideration £4,561,000 - $7,023,000) to Mirabaud Pereire Nominees Limited, Emba Holdings Limited, P Byrom, J Landon and M Goodliffe. The middle market price at close of business on 2 October 2015 (being the date at which the terms of issue were fixed) was £2.67

12. Movement in net borrowings

	2015 $'000	20 $'0
Change in net borrowings resulting from cash flows:		
Decrease in cash and cash equivalents	(316)	(18,2
Net increase in borrowings	(20,706)	(4,7
	(21,022)	(22,9
Issue of preference shares	-	10,5
Amortisation of US dollar notes expenses	(165)	
Issue of sterling notes, net of amortisation of issue expenses	(4,195)	
Redemption of US dollar notes, net of amortisation of issue expenses	-	6,3
	(25,382)	(6,0
Currency translation differences	(2,686)	1,5

Net borrowings at beginning of year	(170,618)	(166,0
Net borrowings at end of year	(198,686)	(170,6

13. Related parties

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the company and its subsidiaries are dealt with in the company's individual financial statements. The remuneration of the directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 "Related party disclosures".

	2015	20
	$'000	$'0
Short term benefits	2,111	2,1
Post employment benefits	-	
Other long term benefits	-	
Termination benefits	-	
Share based payments	-	
	2,111	2,0

14. Events after the reporting period

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

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