Final Results

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RNS Number : 6529F
R.E.A.Hldgs PLC
28 April 2014

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

ANNUAL FINANCIAL REPORT

The company's annual report for the year ended 31 December 2013 (including notice of the annual general meeting to be held on 12 June 2014) (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", "Risks and uncertainties" and "Directors' confirmation of responsibility" have been extracted without material adjustment from the annual report. The basis of presentation of the financial information set out below is detailed in note 1 of the notes to the financial statements below.

HIGHLIGHTS

Financial

- Profit before tax of $25.2 million (2012: $30.6 million); with a recovery in the second half to $27.8 million, following the loss of $2.6 million sustained in the first half
- Second half results benefiting from higher CPO and CPKO prices and a devaluing Indonesian rupiah against the dollar
- Proposed final dividend of 3¾p per ordinary share (2012: 3½p) making total dividends of 7¼p per ordinary share (2012: 7p); plus capitalisation issue equivalent to slightly over 6p per ordinary share (2012: 6p)
- New investment of $33.5 million (2012: $72.6 million)
- 1.6 million ordinary shares issued by way of a placing to raise $10.5 million net of expenses; $9.7 million of dollar notes 2012/14 purchased for cancellation
- New term loans signed in November 2013 and April 2014 with, respectively, PT Bank DBS Indonesia and PT Bank UOB Indonesia to provide local finance equivalent to $90 million for the continuing development of operations
- Growing throughput from smallholders augmenting the revenue stream

Agricultural operations

- Crop of fresh fruit bunches of 578,785 tonnes (2012: 597,722 tonnes)

- A further 2,555 hectares of oil palms planted during the year and land bank extended by purchase of an additional 1,964 hectare land allocation
- Implementing agreement signed in respect of the agreed swap of land currently held by PT Sasana Yudha Bhakti (but the subject of overlapping coal rights) for land held by PT Praesetia Utama ("PU")
- Implementation of a range of operating efficiencies on the estates and in the processing mills starting to have a discernible impact on unit production costs
- Installation of three additional one megawatt biogas generators in preparation for supplying biogas generated electricity to the Indonesian state electricity company for sale to local villages

Stone quarry and coal operations

- Progress towards quarrying the stone concession to produce stone for group infrastructure and for sale to third parties
- Cooperation arrangements in place for mining the group's coal concessions by third parties

Sustainability

- Allocations of land areas for smallholders gaining momentum with associated smallholdings totalling some 8,500 hectares by December 2013 and further significant expansion expected during 2014 and 2015
- Sales of International Sustainability and Carbon Certification ("ISCC") certified CPO more than doubled to 82,700 tonnes (2012: 34,013 tonnes) in 2013
- Publication of first sustainability report and carbon footprint analysis

Prospects

- Much improved relations with local communities should permit full restoration of previous operating standards and improving crops
- Development started on PT Putra Bongan Jaya; it is hoped to extend planting on PT Cipta Davia Mandiri and to start development on PU during 2014

CHAIRMAN'S STATEMENT

Results

Profit before tax in 2013 amounted to $25.2 million (2012: $30.6 million). This reflected the combination of a loss of $2.6 million in the first half of 2013 and a recovery in the second half to $27.8 million, reflecting the increased crop harvested in the second half, higher prices for crude palm oil ("CPO") and crude palm kernel oil ("CPKO") and a benefit from foreign exchange gains resulting from the material devaluation of the Indonesian rupiah against the dollar that occurred during 2013.

Although the results for 2013 as a whole were disappointing, the directors do not believe that they are symptomatic of any underlying decline in the profit potential of the group, a view that is supported by the performance in the second half of the year. Accordingly, the directors consider it appropriate to recommend a modest increase in the final dividend in respect of 2013 to 3¾p per ordinary share, to give a total dividend for the year of 7¼p per ordinary share (2012: 7p), with ordinary shareholders again receiving a capitalisation issue of preference shares (made in October 2013) equivalent to slightly in excess of 6p per ordinary share.

Underlying the group results were the crop of fresh fruit bunches ("FFB") of 578,785 tonnes (2012: 597,722 tonnes) and an extraction rate for CPO of 21.8 per cent (2012: 22.9 per cent). These figures reflected the impact of the previously reported disruptions caused by disputes with local communities during 2012 and the early months of 2013 which caused delays to harvesting and loss of crop with a knock-on effect on oil extraction rates and oil quality.

The results, of course, also reflected a lower level of CPO prices during 2013. On a CIF Rotterdam basis, these averaged $856 per tonne as compared with the average for 2012 of $998.

The aggregate area planted during 2013 amounted to 2,555 hectares. Development was initiated during the year on the land areas held by PT Putra Bongan Jaya with a view to achieving significant planting on these areas in 2014. It is also hoped during 2014 to extend the plantings on PT Cipta Davia Mandiri and to establish a first planting on PT Praesetia Utama.

The group is pushing ahead with the allocation of land for smallholder cooperatives and aims to increase materially the planted smallholder cooperative areas during 2014 and 2015. This, and measures put in place to improve liaison with local communities, are no doubt assisting in maintaining the much improved relations with the local communities that the group is now enjoying.

Progress is also being made with a number of ancillary projects: the sale of electricity generated by the group's methane capture plants to the Indonesian state electricity company; the opening of a quarry on the group's stone concession with a view to producing stone for the group's agricultural operations and for sale to third parties; and the cooperation arrangements for the mining of the group's coal concessions by third parties. Revenue from at least some of these initiatives should be received in 2014 with increasing revenues in future years.

Following changes to the composition of the board made at the end of 2012, the new directors have rapidly familiarised themselves with the business of the group and the challenges that it faces. A recent evaluation by the board of its own performance concluded that the board worked well as now constituted.

The company regrets to report the death during 2013 of Charles Letts, one of the directors who retired at the end of 2012. Mr Letts had been associated with the company and predecessor companies for some forty years and had been a stalwart supporter of the group. His wise advice and readiness to stand by the group in difficult times, as well as good, will be much missed.

Although the position on the group's estates has now been stable for a year, work continues in catching up the backlog of maintenance that built up on the estates during the period of the disruptions and in restoring operating standards to the high levels to which the group aspires. The results of these efforts should be seen in improving crops and extraction rates in the coming months. The FFB crop for the three months to 31 March 2014 was 150,635 tonnes (2013: 137,573).

Improving operating results, coupled with new revenues from ancillary projects, should enable the group to move forward with its plans to list PT REA Kaltim Plantations on the Indonesia Stock Exchange and to continue the growth of the agricultural operations to the planned level of at least 60,000 hectares.

ANNUAL GENERAL MEETING

The fifty-fourth 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 12 June 2014 at 10.00 am.

A resolution will be proposed at the annual general meeting to authorise the directors to increase the fees for services of each director up to an amount not exceeding £30,000 per annum.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

Risks of possibly special significance are the risks detailed below under "Community relations" and "Regulatory exposures" with the former risk thought to be reducing as detailed under "Community relations" in "Sustainability" in the Strategic report but the latter risk continuing with particular reference to the Indonesian government's recently introduced "use it or lose it" policy in respect of registered titles to undeveloped land. This policy could result in registered titles to the group's undeveloped land areas being revoked although the directors do not believe that this will happen if development of such areas proceeds as planned.

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
Overcast conditions	Delayed crop formation resulting in loss of potential revenue	Normal sunshine hours in the location of the operations are well suited to the cultivation of oil palm
Low levels of rainfall disrupting river transport or, in an extreme situation, bringing it to a standstill	Inability to obtain delivery of estate supplies or to evacuate CPO and CPKO (possibly leading to suspension of harvesting)	The group is developing alternative routes to and from its estates (including licences to access third party owned roads and establishment of a permanent downstream loading facility)
Cultivation risks		
Pest and disease damage to oil palms and growing crops	A loss of crop or reduction in the quality of harvest resulting in loss of potential revenue	The group adopts best agricultural practice to limit pests and diseases
Other operational factors		

Shortages of necessary inputs to the operations, such as fuel and fertiliser	Disruption of operations or increased input costs leading to reduced profit margins	The group maintains stocks of necessary inputs to provide resilience and is investing to improve its self-reliance in relation to fuel and fertiliser
A hiatus in collection or processing of FFB crops	FFB crops becoming rotten or over-ripe leading either to a loss of CPO production (and hence revenue) or to the production of CPO that has an above average free fatty acid content and is saleable only at a discount to normal market prices	The group endeavours to maintain resilience in its palm oil mills with each of the mills operating separately and some ability within each mill to switch from steam based to biogas or diesel based electricity generation
Disruptions to river transport between the main area of operations and the Port of Samarinda or delays in collection of CPO and CPKO from the transshipment terminal	The requirement for CPO and CPKO storage exceeding available capacity and forcing a temporary cessation in FFB harvesting or processing with a resultant loss of crop resulting in a loss of potential revenue	The group's bulk storage facilities have substantial capacity and further storage facilities are afforded by the fleet of barges. Together, these have hitherto always proved adequate to meet the group's requirements for CPO and CPKO storage
Occurrence of an uninsured or inadequately insured adverse event; certain risks (such as crop loss through fire or other perils), for which insurance cover is either not available or is considered disproportionately expensive, are not insured	Material loss of potential revenues or claims against the group	The group maintains insurance at levels that it considers reasonable against those risks that can be economically insured and mitigates uninsured risks to the extent reasonably feasible by management practices
Produce prices		
Volatility of CPO and CPKO prices which as primary commodities may be affected by levels of world economic activity and factors affecting the world economy, including 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 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 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	Above average CPO and CPKO prices in recent years did not lead to a reimposition of export restrictions. Instead, the Indonesian government has continued to allow the free export of CPO and CPKO but has introduced a sliding scale of duties on exports which allows producers economic margins
Distortion of world markets for CPO and CPKO by the imposition of import controls or taxes in consuming countries	Depression of selling prices for CPO and CPKO if arbitrage between markets for competing vegetable oils proves insufficient to compensate for the market distortion created	The imposition of controls or taxes on CPO or CPKO in one area can be expected to result in greater consumption of alternative vegetable oils within that area and the substitution outside that area of 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 substantial fully titled or allocated land areas suitable for planting. It works continuously to obtain and maintain up to date permits for the planting of these areas and aims to manage its finances to ensure, in so far as practicable, that it will be able to fund the planned extension planting programme
A shortfall in achieving the group's planned extension planting programme impacting negatively the annual revaluation of the group's biological assets	A reduction in reported profit and a possible adverse effect on market perceptions as to the value of the company's securities	Movements on the annual revaluation of the group's biological assets do not affect the group's underlying cash flow
Environmental, social and governance practices		
Failure by the agricultural operations to meet the standards expected of them as a large employer of significant economic importance to local communities	Reputational and financial damage	The group has established standard practices designed to ensure that it meets its obligations, monitors performance against those practices and investigates thoroughly and takes action to prevent recurrence in respect of any failures identified
Criticism of the group's environmental practices by conservation organisations scrutinising land areas that fall within a region that in places includes substantial areas of unspoilt primary rain forest inhabited by diverse flora and fauna	Reputational and financial damage	The group is committed to sustainable development of oil palm and has obtained RSPO certification for most of its current operations. All group oil palm plantings are on land areas that have been previously logged and zoned by the Indonesian authorities as appropriate for agricultural development. The group maintains substantial conservation reserves that safeguard landscape level biodiversity
Community relations		
A material breakdown in relations between the group and the host population in the area of the agricultural operations	Disruption of operations, including blockages restricting access to oil palm plantings and mills, resulting in reduced and poorer quality CPO and CPKO production	The group seeks to foster mutually beneficial economic and social interaction between the local 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	Disruption of operations, including blockages restricting access to the area the subject of the disputed compensation	Negotiations successfully concluded in early 2013 should have resolved these material issues. In respect of issues remaining and new issues

communities for the cultivation of crops or as respects which local communities otherwise have rights		subsequently arising, the group has established standard procedures to ensure fair and transparent compensation negotiations and encourages the local authorities, with whom the group has developed good relations and who are therefore generally supportive of the group, to assist in mediating settlements
Individuals party to a compensation agreement subsequently denying or disputing aspects of the agreement	Disruption of operations, including blockages restricting access to the areas the subject of the compensation disputed by the affected individuals	Where claims from individuals in relation to compensation agreements are found to have a valid basis the group seeks to agree a new compensation arrangement; where such claims are found to be falsely based the group encourages appropriate action by the local authorities
Stone and coal operations		
Operational factors		
Failure by external contractors to achieve agreed production volumes	Loss of prospective revenue	The group endeavours to use experienced contractors, to supervise them closely and to take care to ensure that they have equipment of capacity appropriate for the planned production volumes
External factors, in particular weather, delaying or preventing delivery of extracted stone and coal	Delays to receipt or loss of revenue	Deliveries are not normally time critical and adverse external factors would not normally have a continuing impact for more than a limited period
Geological assessments, which are extrapolations based on statistical sampling, proving inaccurate	Unforeseen extraction complications causing cost overruns and production delays	The group seeks to ensure the accuracy of geological assessments by drilling ahead of any extraction programme and taking expert geological advice on drilling results
Prices		
Volatility of international coal prices and competition reducing stone prices	Reduced revenue and a consequent reduction in cash flow and profit	The co-operation arrangements negotiated for the mining of the group's coal concessions provide a minimum floor price for the coal mined. In relation to stone, there are currently no other stone quarries in the vicinity of the group's concession and the cost of transporting stone should restrict competition
Imposition of additional royalties or duties on the extraction of stone or coal	Reduced revenue and a consequent reduction in cash flow and profit	The Indonesian government has not to date imposed measures that would seriously affect the viability of Indonesian coal mining or 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 any material variations in quality

Environmental, social and governance practices		
Failure by the stone and coal operations to meet the expected standards	Reputational and financial damage	The areas of the stone and coal concessions are relatively small and should not be difficult to supervise. The group is committed to international standards of best environmental and social practice and, in particular, to proper management of waste water and reinstatement of quarried and mined areas on completion of extraction operations
General		
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, the group considers that this risk is inherent in the group's business and structure and must simply be accepted. As respects borrowings, where efficient the group seeks to borrow in dollars but, when borrowing in another currency, considers it better to accept the resultant currency risk than to hedge that risk with hedging instruments on which any loss may fall to be disallowed for Indonesian tax purposes
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		
New, and changes to, laws and regulations that affect the group (including, in particular, laws and regulations relating to land tenure and mining concessions, 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 changes that would adversely affect the group to a material extent; recent changes introduced to limit the size of oil palm growers in Indonesia will not impact the group for the foreseeable future
Breach of the various continuing conditions attaching to the group's land and mining concession rights (including conditions requiring utilisation of the rights) 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 concession rights	The group endeavours to ensure that it complies with the continuing conditions attaching to its concession rights and that its activities are conducted within the terms of the licences and permits that it holds and that licences and permits are obtained and renewed as necessary

Failure by the group to meet the standards expected in relation to bribery and corruption	Reputational damage and criminal sanctions	The group has traditionally had, and continues to maintain, strong controls in this area because Indonesia, where all of the group's operations are located, has been classified as relatively high risk by the International Transparency Corruption Perceptions Index
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 1990's Indonesia experienced severe economic turbulence and there have been subsequent occasional instances of civil unrest, often attributed to ethnic tensions, in certain parts of Indonesia. The group has never, since the inception of its East Kalimantan operations in 1989, been adversely affected by regional security problems
Introduction of exchange controls or other restrictions on foreign owned operations in Indonesia	Restriction on the transfer of profits from Indonesia to the UK with potential consequential negative implications for the servicing of UK obligations and payment of dividends; loss of effective management control	The directors are not aware of any circumstances that would lead them to believe that, under current political conditions, any Indonesian government authority would impose exchange controls or otherwise seek to restrict the group's freedom to manage its operations
Miscellaneous relationships		
Disputes with staff and employees	Disruption of operations and consequent loss of revenues	The group appreciates its material dependence upon its staff and employees and endeavours to manage this dependence in accordance with international employment standards as detailed under "Employees" in "Sustainability" in the Strategic report
Breakdown in relationships with the local shareholders in the company's Indonesian subsidiaries	Reliance on the Indonesian courts for enforcement of the agreements governing its arrangements with local partners with the uncertainties that any juridical process involves and with any failure of enforcement likely to have a material negative impact on the value of the stone and coal operations because the concessions are at the moment legally owned by the group's local partners	The group endeavours to maintain cordial relations with its local investors by seeking their support for decisions affecting their interests and responding constructively to any concerns that they may have

DIRECTORS' CONFIRMATION OF RESPONSIBILITY

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

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

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

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	$'000	$'000
Revenue	110,547	124,600
Net gain/(loss) arising from changes in fair value of agricultural produce inventory	548	(5,677)
Cost of sales	(69,901)	(63,566)
Gross profit	41,194	55,357
Net gain arising from changes in fair value of biological assets	7,133	5,979
Other operating income	-	12
Distribution costs	(1,290)	(1,601)
Administrative expenses	(18,959)	(18,899)
Impairment loss	-	(3,000)
Operating profit	28,078	37,848
Investment revenues	467	411
Finance costs	(3,329)	(7,701)
Profit before tax	25,216	30,558
Tax	(12,544)	(12,855)
Profit for the year	12,672	17,703
Attributable to:		
Ordinary shareholders	5,457	11,342
Preference shareholders	7,291	6,713
Non-controlling interests	(76)	(352)
	12,672	17,703

Earnings per 25p ordinary share		
Basic	15.8 cents	33.9 cents

All operations for both years are continuing

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013

	2013	2012
	$'000	$'000
Non-current assets		
Goodwill	12,578	12,578
Biological assets	288,180	265,663
Property, plant and equipment	146,998	145,610
Prepaid operating lease rentals	30,454	26,630
Indonesian stone and coal interests	30,427	29,480
Investments	-	-
Deferred tax assets	9,515	6,063
Non-current receivables	2,250	2,470
Total non-current assets	520,402	488,494
Current assets		
Inventories	17,345	20,712
Investments	-	1,256
Trade and other receivables	28,625	32,155
Cash and cash equivalents	34,574	26,393
Total current assets	80,544	80,516
Total assets	600,946	569,010
Current liabilities		
Trade and other payables	(16,908)	(30,051)
Current tax liabilities	(2,934)	(4,348)
Bank loans	(35,033)	(1,000)
US dollar notes	(5,964)	(691)
Other loans and payables	(940)	(1,105)
Total current liabilities	(61,779)	(37,195)
Non-current liabilities		
Bank loans	(62,281)	(51,194)
Sterling notes	(55,708)	(54,279)
US dollar notes	(33,468)	(48,007)
Preference shares issued by a subsidiary	(38)	(54)
Derivative financial instruments	(7,892)	(11,622)
Deferred tax liabilities	(73,404)	(44,372)
Other loans and payables	(6,935)	(7,257)
Total non-current liabilities	(239,726)	(216,785)

Total liabilities	(301,505)	(253,980)
Net assets	299,441	315,030
Equity		
Share capital	101,574	97,565
Share premium account	25,161	18,680
Translation reserve	(32,549)	(4,854)
Retained earnings	203,225	201,630
	297,411	313,021
Non-controlling interests	2,030	2,009
Total equity	299,441	315,030

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	$'000	$'000
Profit for the year	12,672	17,703
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Actuarial losses	(123)	-
Items that will not be reclassified to profit or loss: instrument		
Exchange differences on translation of foreign operations	(12,341)	(2,133)
Deferred tax movement charged to equity	(15,257)	69
	(27,721)	(2,064)
Total comprehensive income for the year	(15,049)	15,639
Attributable to:		
Ordinary shareholders	(22,416)	9,151
Preference shareholders	7,291	6,713
Minority interests	76	(225)
	(15,049)	15,639

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Share premium	Translation reserve	Retained earnings	Sub total	Non-controlling interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000

At 1 January 2012	87,939	21,771	(11,762)	202,763	300,711	2,234	302,945
Correction of previous accounting error	-	-	9,099	(9,099)	-	-	-
Total comprehensive income	-	-	(2,191)	18,055	15,864	(225)	15,639
Issue of new preference shares (cash)	6,389	146	-	-	6,535	-	6,535
Issue of new preference shares (scrip)	3,237	(3,237)	-	-	-	-	-
Dividends to preference shareholders	-	-	-	(6,713)	(6,713)	-	(6,713)
Dividends to ordinary shareholders	-	-	-	(3,376)	(3,376)	-	(3,376)
At 31 December 2012	97,565	18,680	(4,854)	201,630	313,021	2,009	315,030
Total comprehensive income	-	-	(27,695)	12,625	(15,070)	21	(15,049)
Correction to share premium	-	7	-	-	7	-	7
Issue of new ordinary shares (cash)	641	9,878	-	-	10,519	-	10,519
Issue of new preference shares (scrip)	3,404	(3,404)	-	-	-	-	-
Purchase of treasury shares	(36)	-	-	-	(36)	-	(36)
Dividends to preference shareholders	-	-	-	(7,291)	(7,291)	-	(7,291)
Dividends to ordinary shareholders	-	-	-	(3,739)	(3,739)	-	(3,739)
At 31 December 2013	101,574	25,161	(32,549)	203,225	297,411	2,030	299,441

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	$'000	$'000
Net cash from operating activities	764	32,470
Investing activities		
Interest received	467	411
Proceeds on disposal of property, plant and equipment	79	4
Purchases of property, plant and equipment	(12,026)	(50,264)
Expenditure on biological assets *	(16,794)	(15,033)
Expenditure on prepaid operating lease rentals	(4,281)	(2,241)
Acquisition of subsidiary company	-	(1,616)
Investment in Indonesian stone and coal interests	(947)	(3,900)
Net cash used in investing activities	(33,502)	(72,639)

Financing activities

Preference dividends paid	(7,291)	(6,713)
Ordinary dividends paid	(3,739)	(3,376)
Repayment of borrowings	(5,000)	(10,603)
Proceeds of issue of ordinary shares	10,519	-
Purchase of treasury shares	(36)	-
Proceeds of issue of preference shares	-	6,535
Issue of US dollar notes, net of expenses	-	33,593
Redemption of US dollar notes	(9,678)	(19,000)
Payment to close out hedging contract	(1,862)	-
Net sale and repurchase of US dollar notes	1,238	(259)
New bank borrowings drawn	57,600	36,027
Net cash from financing activities	41,751	36,204

Cash and cash equivalents

Net increase/(decrease) in cash and cash equivalents	9,013	(3,965)
Cash and cash equivalents at beginning of year	26,393	30,601
Effect of exchange rate changes	(832)	(243)
Cash and cash equivalents at end of year	34,574	26,393

* 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 statutory accounts of the company for the year ended 31 December 2013 (the "2013 statutory accounts"). 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 2013 statutory accounts 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 2013 statutory accounts 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 2013 statutory accounts and the accompanying financial information were approved by the board of directors on 28 April 2014.

2. Revenue

	2013	2012
	$'000	$'000
Sale of goods	108,350	122,621
Revenue from services	2,197	1,979
	110,547	124,600

Other operating income	-	12
Investment income	467	411
Total revenue	111,014	125,023

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.

	2013	2012
	$'m	$'m
Sales by geographical location:		
Indonesia	110.5	73.4
Rest of Asia	-	51.2
	110.5	124.6
Carrying amount of segment net assets by geographical area of asset location:		
UK, Continental Europe and Singapore	50.5	51.5
Indonesia	248.9	263.5
	299.4	315.0

In the year ended 31 December 2012, the group disclosed segment information for three reportable segments in accordance with IFRS 8 "Operating Segments", two operating segments, being the cultivation of oil palms and the stone and coal operations, and a head office segment made up of the activities of the UK, European and Singaporean subsidiaries.

In the year ended 31 December 2013, the relevant measures for the stone and coal operations fell below the quantitative thresholds set out in IFRS 8. Reflecting the directors' decision to discontinue the third party coal trading and to concentrate on developing the stone concession as part of the group's agricultural activities, it is considered that the remaining coal concessions are no longer of continuing significance to the group for segment reporting purposes. Accordingly, no segment information is included in these financial statements.

4. Agricultural produce inventory movement

The net gain/(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

	2013	2012
	$'000	$'000
Net foreign exchange losses/(gains)	56	(845)
Net charge for additional pension contributions	272	1,439
Loss on disposal of fixed assets	(20)	39
Net loss on financial liabilities at FVTPL	-	190

Indonesian operations	16,575	15,574
Head office	5,522	4,395
	22,405	20,792
Amounts included as additions to biological assets	(3,446)	(1,893)
	18,959	18,899

6. Finance costs

	2013	2012
	$'000	$'000
Interest on bank loans and overdrafts	5,497	4,145
Interest on US dollar notes	4,008	3,433
Interest on sterling notes	5,599	5,598
Change in value of sterling notes arising from exchange fluctuations	1,064	1,029
Change in value of derivative financial instruments	(2,974)	(2,108)
Change in value of loans arising from exchange fluctuations	(6,298)	-
Other finance charges	293	372
	7,189	12,469
Amount included as additions to biological assets	(3,860)	(4,768)
	3,329	7,701

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 55.1 per cent (2012: 34.9 per cent); there is no directly related tax relief.

7. Tax

	2013	2012
	$'000	$'000
Current tax:		
UK corporation tax	399	534
Foreign tax	1,773	9,638
Prior year	-	557
Total current tax	2,172	10,729
Deferred tax:		
Current year	8,040	2,068
Change in UK tax rate	211	-
Prior year	2,121	58
	10,372	2,126
Total tax	12,544	12,855

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 (2012: 25 per cent) and for the United Kingdom, the taxation provision reflects a corporation tax rate of 23.25 per cent (2012: 24.5 per cent) and a deferred tax rate of 20 per cent (2012: 23 per cent).

8. Earnings per share

	2013	2012
	$'000	$'000
Earnings for the purpose of earnings per share*	5,457	11,342

* being net profit attributable to ordinary shareholders

	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	34,494	33,415

9. Dividends

	2013	2012
	$'000	$'000
Amounts paid and recognised as distributions to equity holders:		
Preference dividends of 9p per share	7,291	6,713
Ordinary dividends of 7p per share (2012: 6.5p)	3,739	3,376
	11,030	10,089

10. Biological assets

	2013	2012
	$'000	$'000
Beginning of year	265,663	244,433
Additions to planted area and costs to maturity	17,330	15,369
Transfers from prepaid operating lease rentals	-	45
Transfers to non-current receivables	(1,942)	(79)
Transfers to current receivables	(4)	(84)
Net biological gain	7,133	5,979
End of year	288,180	265,663

Net biological gain comprises:		
Fair value of crops harvested during the year	(66,796)	(78,468)
Gain arising from movement in fair value attributable to physical changes	60,646	72,226
Gain arising from movement in fair value attributable to price changes	13,283	12,221
	7,133	5,979

The fair value determination assumed a discount rate of 15 per cent in the case of PT REA Kaltim Plantations ("REA Kaltim") and PT Sasana Yudha Bhakti ("SYB") and 18 per cent in the case of all other group companies (2012: 15 per cent in the case of REA Kaltim and SYB and 18 per cent in the case of all other group companies) and a standard unit margin of $58.0 per tonne of oil palm fresh fruit bunches ("FFB") (2012: standard unit margin of $55.2 per tonne of FFB).

The valuation of the group's biological assets would have been reduced by $15,370,000 (2012: $14,250,000) if the crops projected for the purposes of the valuation had been reduced by 5 per cent; by $14,370,000 (2012: $13,570,000) if the discount rates assumed had been increased by 1 per cent and by $26,530,000 (2012: $25,810,000) if the assumed unit profit margin per tonne of oil palm FFB had been reduced by $5.

As a general rule, all palm products produced by the group are sold at prices prevailing immediately prior to delivery but on occasions the group makes forward sales at fixed prices. When making such sales, the group would not normally commit more than 60 per cent of its projected production for a forthcoming period of twelve months. At 31 December 2013, the group had no outstanding forward sale contracts at fixed prices (2012: none).

At the balance sheet date, biological assets of $162 million (2012: $68 million) had been charged as security for bank loans but there were otherwise no restrictions on titles to the biological assets (2012: none). Expenditure approved by the directors for the development of immature areas in 2014 amounts to $15 million (2012: $20 million).

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

During the year, there were additions to property, plant and equipment of $12,027,000 (2012: $50,018,000).

At the balance sheet date, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $6,469,000 (2012: $5,212,000).

11. Issuance of equity securities

Changes in share capital:

- on 10 May 2013, 1,670,724 ordinary shares were issued, fully paid, by way of a placing at £4.25 per share (nominal value £417,681; total consideration £7,100,000 - $10,903,000) to Mirabaud Pereire Nominees Limited; the middle market price at close of business on 3 May 2013 (being the date on which the terms of the issue were fixed) was £4.60
- on 25 October 2013, 2,105,116 9 per cent cumulative preference shares were issued, credited as fully paid, to ordinary shareholders by way of capitalisation of share premium account
- between 3 and 18 December 2013, 4,967 ordinary shares were purchased for treasury at an average price of £4.40 per share (total consideration £22,000 - $36,000).

12. Movement in net borrowings

	2013	2012
	$'000	$'000
Change in net borrowings resulting from cash flows:		
Increase/(decrease) in cash and cash equivalents	9,013	(3,965)
Net increase in borrowings	(52,600)	(25,424)
	(43,587)	(29,389)
Issue of US dollar notes, net of amortisation issue expenses	-	(33,593)

Redemption of US dollar notes, net of amortisation issue expenses	9,344	18,355
Investments netted off against preference shares liability	-	(1,430)
Net sale and repurchase of US dollar notes	(1,238)	259
	(35,481)	(45,798)
Currency translation differences	(1,786)	2,156
Net borrowings at beginning of year	(128,832)	(85,190)
Net borrowings at end of year	(166,099)	(128,832)

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".

	2013	2012
	$'000	$'000
Short term benefits	2,008	1,484
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
	2,008	1,484

14. Events after the reporting period

An interim dividend of 3.5p per ordinary share in respect of the year ended 31 December 2013 was paid on 24 January 2014. In accordance with IAS 10 "Events after the reporting period" this dividend, amounting in aggregate to $2,036,000, has not been reflected in these financial statements.

On 4 April 2014, a subsidiary entered into a long-term secured credit facility of Indonesian rupiah 400 billion ($32.8 million) with PT Bank UOB Indonesia. Drawings under this facility are expected to take place once certain pre-conditions have been satisfied.

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