



R.E.A. HOLDINGS PLC



Presentation – May 2015

At a glance

- 01 Highlights
- 02 Overview
- 03 History

Operations

- 04 Plantation operations
- 06 Environmental and social considerations
- 08 Edible oils and fats market
- 10 Stone and coal operations

Management and finance

- 11 Management and localisation
- 12 Current profitability, cash flow and capital structure

Appendices

- 13 Appendix I: Maps
- 14 Appendix II: Oil palm production cycle
- 20 Appendix III: Consolidated income statements
- 21 Appendix IV: Consolidated balance sheets
- 22 Appendix V: Land and outputs

Find out more
www.rea.co.uk

Financial

- Revenues up 14 per cent driven by record crop production and material increases in throughput of smallholder fruit
- Operating profit of \$32.1 million, up 14 per cent (2013: \$28.1 million)
- Profit before tax of \$23.7 million (2013: \$25.2 million), notwithstanding generally weak CPO prices
- Estate operating costs unchanged notwithstanding increased crop and administrative expenses reduced by \$2.6 million
- Proposed final dividend of 3¼p per ordinary share (2013: 3¼p) making total dividends of 7¼p per ordinary share (2013: 7¼p); capitalisation issue in 2014 equivalent to slightly over 6p per ordinary share (2013: 6p)
- Net new investment of \$38.2 million (2013: \$33.5 million)
- 5.2 million preference shares issued by way of a placing raised \$10.6 million net of expenses, applied in reducing borrowings
- \$6.3 million of dollar notes 2012/14 redeemed

Agricultural operations

- Record production: crop of fresh fruit bunches ("FFB") 631,728 tonnes (2013: 578,785 tonnes) and crude palm oil ("CPO") 169,466 tonnes (2013: 147,649 tonnes) representing year on year increases of, respectively, 9 per cent and 15 per cent
- Land bank increased by purchases of two additional land allocations totalling 7,714 hectares, adjacent to existing land areas
- Recent satisfactory confirmation of land title should permit early completion of the agreed swap of land held by PT Praselia Utama for land currently held by PT Sasana Yudha Bhakti
- Good progress in the construction of perimeter bunding designed to manage water levels as a preliminary to the rapid development of new plantings on the land owned by PT Putra Bongan Jaya whilst planting continues on the higher ground

- Major refurbishment works during the year to ensure optimum standards in the mills
- Plans initiated for expansion of the third, newest oil mill at Satria to double its capacity by 2016
- Continuing programme of cost saving initiatives, including in-house production of compost and of materials for estate infrastructure
- A fully restructured management team now in place in Indonesia and Singapore

Stone quarry and coal operations

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

Sustainability

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

Prospects

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

R.E.A. Holdings plc (“REA”) is a UK public listed company of which the shares are admitted to the Official List and to trading on the main market of the London Stock Exchange.

The REA group is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production of crude palm oil and crude palm kernel oil.

The main group business is the cultivation of oil palms in the province of East Kalimantan, Indonesia, and the production of crude palm oil (“CPO”) and crude palm kernel oil (“CPKO”).

Oil palm plantings were first established in 1994. By 31 December 2014 some 35,000 hectares (135 square miles) had been planted. Further expansion to 60,000 hectares plus is under way.

The group sees its rationale as combining the transparency of a UK listed company with the opportunity and potentially high returns of an investment in Indonesia.

Operations are geographically concentrated providing an efficient base for the planned expansion to nearly double the size of the business. All plantings are on titled land.

A low cost, high margin business, adopting best modern agricultural practices, including recycling waste to reduce fertiliser and energy costs.

Ancillary to its main business, the group generates renewable energy from its methane capture plants to provide power for its own operations and also for sale to local villages via the Indonesian state electricity company (“PLN”).

A recently restructured senior management team with extensive experience in oil palm cultivation comprising both Indonesian and expatriate staff.

Commitment to sustainability, conforming to internationally accepted standards of best practice.



100 years

100 years in Indonesia. Original plantation assets nationalised in 1964 but new Indonesian operations established from 1974.

1985

Principal Indonesian plantation operations merged in 1985 with Indonesian interests of two other UK plantation companies to establish new UK listed company “Anglo Eastern Plantations plc” (“AEP”). AEP remains a listed UK plc and is now a substantial group.

1989

Interest in AEP was sold in 1989 and proceeds were applied in establishing the existing agricultural operations of the group on what was then a large, remote and undeveloped concession area.

All other former interests subsequently divested to focus on the current agricultural operations of the group.

Land areas within a single unit or in close proximity. Planted area to be increased from some 35,000 hectares to about 60,000 hectares.

Group plantation area

- Oil palms planted at 31 December 2014 covered 35,000 hectares representing some 135 square miles. Of this 28,000 hectares were mature and the balance immature.
 - The location is shown on maps in Appendix I on page 13. The land areas are either within one single unit or in close proximity of that unit.
 - The plantation areas are served by major rivers. This allows cheap bulk transport of inputs and outputs. All areas have excellent rainfall (around 3,500 mm per annum) and good sunlight hours, both important for oil palm cultivation. The terrain is undulating with reasonable drainage.
- Total oil palm plantings in Indonesia are reported to be some 8 million hectares and in Malaysia some 5 million hectares. The group represents a tiny proportion of a large industry and is distinguished by operating a very large plantation in a single area

Group land holdings and expansion

- Fully titled agricultural land in Indonesia is held on what is effectively a government lease known as an “HGU”, normally for a term of 30 years with rights of renewal. Land held by the group is initially allocated as a concession and then has to be converted to HGU status.
- The group currently has 71,000 hectares that are fully HGU titled. Subject to completion, expected in 2015, of conditional swap arrangements with respect to land held by a subsidiary company, fully titled land areas would increase to 76,000 hectares.
- The 76,000 fully titled hectares following completion of the swap together with land allocations already held but not yet fully titled should support extension of the planted area to 60,000 hectares.
- The rate of expansion will be dictated by available funding and the rate at which the group can complete the regulatory processes that are a necessary prelude to planting.
- The group has 5 per cent minority local interests in part of its land holdings.

Group production and processing

- The oil palm production cycle is reviewed in Appendix II (starting on page 14).
- Group FFB production in 2014 was 631,728 tonnes, representing record production and a year on year increase of 9 per cent. Not all mature areas are yet at peak production and substantial immature areas have still to come into production. These, together with the further planned plantings, should mean increases in crops for many years to come.
- The group has three oil mills (two with kernel crushing plants), the latest of which commenced operation in October 2012. The older mills have a capacity of 80 tonnes of FFB per hour; the new mill at Satria currently has a capacity of 40 tonnes per hour. Plans have been initiated for expansion of this newest oil mill at Satria to double its capacity by 2016.
- From every 100 tonnes of FFB, the group extracts some 22 tonnes of CPO and 1.7 tonnes of CPKO. This combined result is high by industry standards yielding some 7 tonnes of oil (CPO and CPKO together) per fully mature hectare compared with a Malaysian average of 4 tonnes per hectare.

- Good yields reflect the agronomic conditions, standards of husbandry and consistent planting of only the best available seed (sourced from Costa Rica, Papua New Guinea and top seed gardens in Indonesia) as well as good management.

Sales

- The group maintains a fleet of barges for transport of CPO and CPKO. The fleet is used in conjunction with tank storage adjacent to the oil mills and a transhipment terminal owned by the group downstream of the port of Samarinda.
- The majority of CPO sales are now made to Indonesian refineries that can be easily accessed from the group's estates and to which the voyage time is in most cases shorter than to East Malaysia where historically the majority of sales were made.
- CPO and CPKO are barged downstream from the estates to the transhipment terminal for collection by customers or barged direct to refineries or traders in Balikpapan. All sales are priced on a spot basis.

Existing mills projected to meet the required milling capacity until 2019.

The group is committed to sustainable oil palm development and international standards of environmental and social practice.

Sustainability

- The group is committed to producing oil palm in a way that is environmentally and socially responsible and employs a dedicated sustainability manager whose time is split between London and Indonesia.
- The group joined the Roundtable on Sustainable Palm Oil (RSPO) in 2007 and succeeded in obtaining RSPO certification for the two REA Kaltim oil mills in 2011. The third oil mill is on track to obtain RSPO certification before the end of 2015. In 2014, 59 per cent of the CPO and 68 per cent of the CPKO produced by the group was RSPO certified.
- International Sustainability and Carbon Certification (ISCC) has also been obtained for the two REA Kaltim oil mills and the REA Kaltim estates. ISCC certification for the third mill is due to be confirmed later in May 2015. In 2014, some 75,000 tonnes of ISCC CPO was sold, for an average premium of \$13.6 per tonne.
- The first stage of the new, mandatory Indonesian Sustainable Palm Oil (ISPO) certification was completed for all three mills in late 2014. The final stage is due to be completed shortly.
- The group's first Global Reporting Initiative (GRI) compliant Sustainability Report was published in July 2013; the second report is due to be published in June 2015.

Conserving the environment

- Prior to any new development, the group engages external experts to conduct an environmental impact assessment (EIA), a soil survey, a high conservation value (HCV) assessment and, from 2015, a carbon stock assessment. The results of these surveys are used to designate networks of conservation reserves within each oil palm concession.
- Conservation reserves currently comprise some 18,250 hectares, or 26 per cent of the group's titled land bank. These reserves are managed by an in-house team of conservation experts, known as REA Kon.
- The group's policy on responsible development includes a commitment to zero burning and avoidance of extensive planting on peat, in an effort to reduce the GHG emissions associated with new developments.
- 2014 is the fourth year for which the group has published its carbon footprint using the RSPO's PalmGHG methodology. Since 2011, the group has significantly reduced the intensity of its GHG emissions. This is largely attributable to a 50 per cent reduction in the GHG emissions from Palm Oil Mill Effluent (POME), which resulted from the installation of methane capture facilities at two of the group's mills in 2012.
- By producing organic compost from by-products from the palm oil mills, as well as adopted integrated pest management, the group has succeeded in reducing inputs of inorganic fertilisers and chemical pesticides. The group ceased to use the herbicide Paraquat in any of its operations after May 2013.

Local communities

- Strategies to develop and maintain harmonious relations with the local communities include developing oil palm smallholder schemes and implementing community development projects that will assist the communities to become more socio-economically independent.
- The group is committed to ensuring that the free, prior and informed consent of anyone with overlapping legal or customary rights to a piece of land is granted before it is developed.
- The group's community development programme focuses on investment in infrastructure that will provide benefits to the whole community, particularly access to electricity and clean water. In 2014, the group installed water treatment facilities for two villages, and is collaborating with the national electricity company to enable 21 villages in the vicinity of its operations to access electricity generated by the group's methane capture facilities.
- The group supports oil palm smallholders through two schemes. Under the PPMD, which was established in 2000, farmers were provided with loans for agricultural inputs and technical advice to assist them to cultivate oil palm on their own land. Under the plasma scheme, the group develops and manages oil palm plantations for the benefit of the local community, in accordance with regulations introduced in 2007 which made such schemes mandatory for all new oil palm developments.
- The group's supply base includes 15 cooperatives established under this 'PPMD' scheme, as well as 10 cooperatives of independent smallholders. These cooperatives comprise over 2,000 farmers cultivating in excess of 7,000 hectares of land. In addition to this, the group has developed some 3,100 hectares of oil palm under its plasma smallholder scheme.

- In late 2014, the group started working with SNV, a Dutch development NGO, to implement a 'train-the-trainer' programme designed to help the PPMD and independent smallholders to implement best agricultural practices and improve the quality and volume of FFB they supply to the group's mills.

Employees

- Nearly 9,800 employees and many dependents; the majority are based on the plantations.
- Permanent employees, other than those living locally, and their families are provided with housing on the plantation, equipped with potable water and electricity.
- Employee's children are provided with free pre-school, primary and secondary education in a network of schools operated by the group's dedicated foundation. In 2014, the group received an award from the local government in recognition of its contribution to education in the region.
- The group runs a network of 18 clinics, which are staffed with two doctors, a team of paramedics and midwives, as well as a dentist.

CPO is the most economic vegetable oil to produce. Production per hectare is up to eight times that of other vegetable oils.

General

- CPO is one of four major vegetable oils that account for over 73 per cent of edible oils and fats.
- The other major oils are produced from soybean, rapeseed and sunflower seed.
- The oil yield per hectare from oil palms (between four and seven tonnes) is much greater than that of the principal annual oil seeds (less than one per tonne). CPO can therefore be produced more economically than its principal competitor oils.
- Total world production of edible oils and fats in 2013/2014 was about 196 million tonnes. CPO represented some 58.5 million tonnes.

Consumption

- There has been steady demand growth for vegetable oils and fats (typically at 3 per cent per annum and sometimes more) over several decades.
- Main traditional uses of edible oils and fats are:
 - Cooking oil
 - Soap and detergents
 - Ice cream
 - Shortening
 - Oleo chemicals.
- Recently added use in biofuels.
- Demand drivers are:
 - Population growth
 - Per capita income growth.
- As countries develop economically, the popular demand for fried as opposed to boiled foods increases. The two demand drivers combine most strongly in highly populated and fast developing countries such as China and India.
- Annual per capita consumption of vegetable oils and fats is much higher in the USA (58 kgs) and Western Europe (61 kgs) than in China (26 kgs) and India (16 kgs).
- Biofuel usage accounted for an estimated 15 per cent of 2014 consumption of edible oils and fats of 196 million tonnes.

Natural advantages of CPO

- Oil palm is the only plant that is grown purely for a single vegetable oil product (CPO).
- Oil meal is a major component of crop value for soybean, rapeseed and sunflower.
- The lower demand growth for oil meals as animal feed will restrict the ability of soybean, rape and sunflower to meet the continuing growth in demand for vegetable oils.
- Increased consumption of vegetable oils is likely to be met disproportionately by CPO, which should underpin offtake for expansion of supplies of CPO.
- The collapse in petroleum oil prices has reduced biofuel demand and this has been a shock to vegetable oil markets. However, traditional food consumption continues to grow and demand for food is likely to be stimulated by lower prices. CPO can be used to produce biofuel at a cost that is competitive with prevailing oil prices when the CPO price per tonnes is less than 7.5 times the price of a barrel of petroleum oil. Indonesia and Malaysia have recently introduced regulations to mandate an increased biodiesel component in all diesel usage and this should be help sentiment.

Prices

- Current CPO price per tonne is around \$655 CIF Rotterdam. High and low of the last ten years to end 2014 have been \$1,292 and \$402. Recent averages:
 - 2011: \$1,124
 - 2012: \$998
 - 2013: \$856
 - 2014: \$816
 - 2015 (3 months): \$670.

Recent Indonesian regulations are increasing the mandated biodiesel component of all diesel fuel used in Indonesia.

Use of quarried stone will permit internal transport efficiencies and third party stone sales offer the prospect of an additional revenue stream.

- The group holds interests in respect of a stone deposit located close to the group's agricultural operations. An operating licence required to establish a simple stone crushing operation at the quarry on the stone concession was obtained in 2014.
 - Contractual arrangements for the provision of quarry services are under negotiation and ancillary permissions for upgrading of the existing access road to the concession to support heavy duty trucks are being secured. Crushed stone will be transferred from the concession site by truck to a stockpile on the REA Kaltim estates from which onward deliveries will be made to the agricultural operations and third party buyers.
 - The agricultural operations can utilise significant quantities of crushed stone for building roads and other infrastructure construction programmes and indications are encouraging that there will also be good third party demand for crushed stone for road building and use as a concrete aggregate.
- The group also holds three coal mining concessions. Following a decision by the directors in 2012, further capital commitments to the coal operations have been limited as the group concentrates on maximising recoveries from these concessions and minimising ongoing costs.
 - A project agreement was signed in 2013 with a third party relating to the development and operation of the principal concession whereby an income stream would be provided to the group calculated by reference to coal prices prevailing from time to time but subject to an agreed floor. Mining is currently suspended because of the prevailing coal price but the third party is continuing to support the mine and will resume mining when coal prices recover.

Operations are supervised by experienced management.

South East Asia

- Operations are supervised by a recently restructured, experienced and appropriately qualified team of senior Indonesian and expatriate staff. The team is headed by the group's regional director, operating from Jakarta and Singapore.
- Each 4,000 hectare estate unit has its own Indonesian management team led by an estate manager and 10 assistants.
- The local head office in Samarinda is supported by an office in Jakarta liaising with government and financial institutions.
- The group has a graduate recruitment programme with its own training school. Training programmes are run at all levels. Continuing expansion offers good promotion prospects.

London

- The group's head office in London deals with UK regulatory and listing matters and oversees the funding of the whole group.
- The London management team is lean: chairman, group managing director plus four full time and four part time support staff.

Localisation

- The group's plantation subsidiaries are owned by the group's principal Indonesian plantation subsidiary, PT REA Kaltim Plantations ("REA Kaltim").
- A new Indonesian plantation law enacted in October 2014, confirming a 100,000 hectare limit on licensed development of oil palms for entities that are not under majority local ownership, should not impact the group in the foreseeable future as it has significant headroom for development within the new limit.
- However, the directors still believe that there would be significant advantages to the company and its shareholders in increasing Indonesian participation in the ownership of the group's agricultural operations.
- The directors are proceeding with plans for a public offering of a minority shareholding in REA Kaltim, combined with a listing of REA Kaltim's shares, on the Indonesian Stock Exchange in Jakarta. They are also exploring the possibility of a placing of REA Kaltim shares ahead of a listing in order to ensure the availability of funds to continue the extension planting programme pending listing.
- Benefits will be coverage of the group by South East Asian investment analysts and that REA Kaltim will be treated as a local rather than a foreign company for most Indonesian regulatory purposes, in particular with respect to land matters.

Current profitability, cash flow and capital structure

Profits

- Results for 2014 reflected net overall mark to market gains on produce inventory and biological assets some \$5.8 million lower than 2013 and a reduction in gains from exchange rate movements of \$6.9 million as compared with the preceding year. Adjusting for these items, profit before tax increased from \$9.3 million in 2013 to \$20.6 million in 2014.
- Operating profit for 2014 amounted to \$32.1 million as compared with \$28.1 million the preceding year.
- As the group cannot influence its selling prices, it concentrates on being a low cost producer. The large single area operation and high yields facilitate this. There will be some additional variable costs as crops increase but increasing throughput on a fixed overhead base should reduce unit costs (inflation apart).
- Transformation costs from FOB Samarinda to CIF Rotterdam are about \$65 per tonne. No export duty is levied at current prices but the Indonesian government has recently introduced an export levy of \$50 per tonne (to be offset against export duty when payable). The proceeds of the levy will be applied through a segregated fund in subsidising bio-diesel production.

Cash flow

- Cash generation (EBITDA excluding biological asset adjustments) was \$38.8 million for 2014 against \$30.3 million for 2013.
- Development expenditure in 2014 was \$38.2 million. Expenditure is currently concentrated on expansion of planted areas and will remain so for the immediate future because no further oil mills will be required for some time.













- Development of a hectare of oil palm from nursery planting to maturity, including necessary infrastructure and plant and equipment, costs between \$5,000 and \$7,000. Processing facilities add some \$2,000.

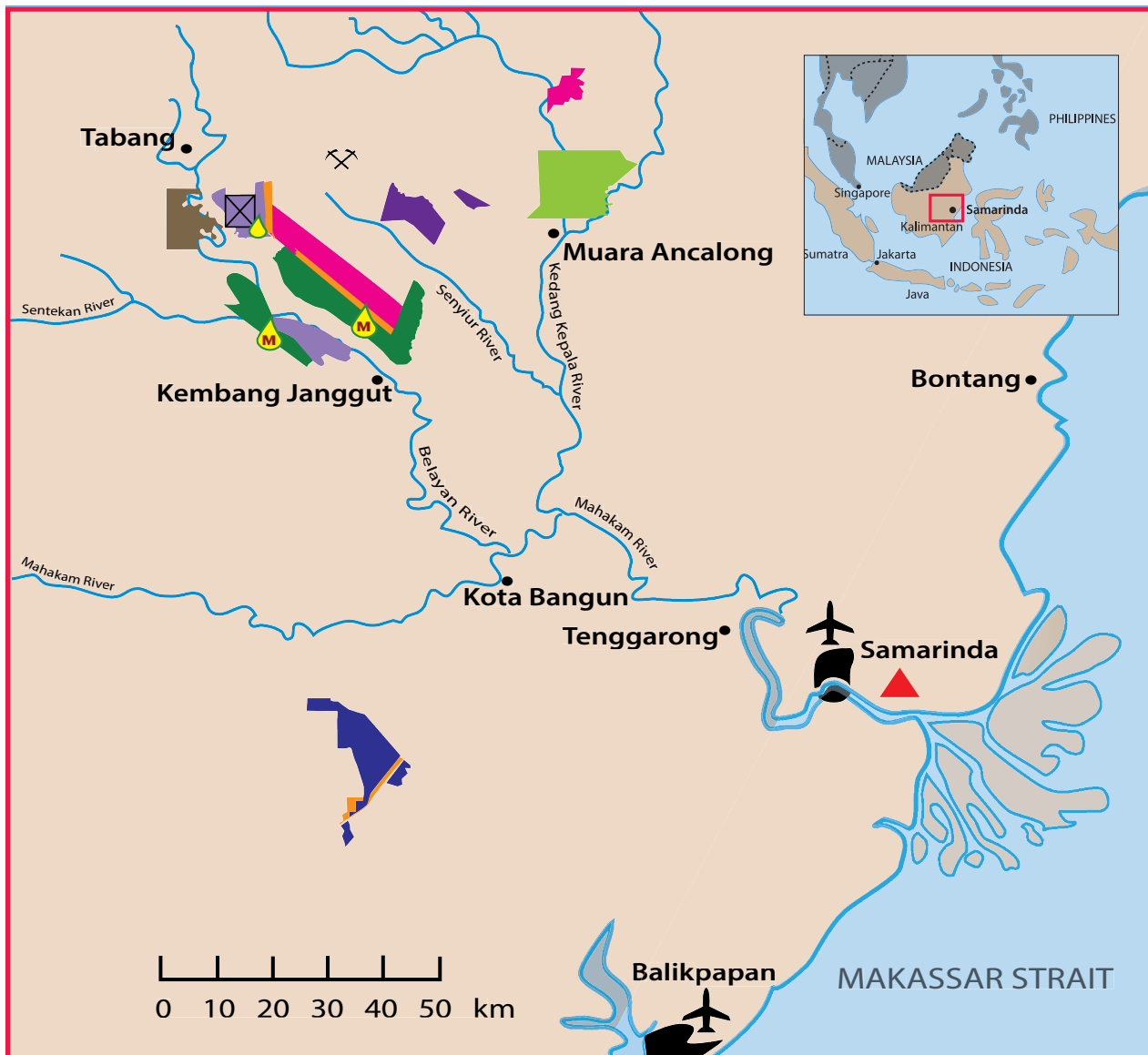
Capital structure

- Debt at 31 December 2014 amounted to some \$195 million mainly consisting of dollar and sterling notes (repayable over the period 2015 to 2017) and Indonesian bank debt repayable over a period of several years. Against this, at the same date, the group had cash of \$16 million.
- Gross assets at 31 December 2014 amounted to \$609 million.
- REA's issued share capital comprises 59.4 million 9% preference shares of £1 each and 35.1 million ordinary shares. REA has a full premium listing in London.
- The group has agreed medium-term loan facilities with two regional banks in Indonesia for the plantation sub-group equivalent to \$39 million and is currently negotiating additional facilities of \$36 million. These facilities are intended to ensure the group's ability to fund its planned extension planting programme and progressively to refinance the group's shorter term indebtedness.
- The equity base of the group will be enhanced by the planned issue of new shares in REA Kaltim

Appendix I: Maps

The smaller map shows the location of the REA group's operations within the context of South East Asia. The larger map provides a plan of the operational areas and of the river system by which access is obtained to the main areas.

Key	
M	Methane capture plant
	Oil mill
	Stone quarry
	Tank storage
	CDM PT Cipta Davia Mandiri
	KKS PT Kartanegara Kumalasakti
	KMS PT Kutai Mitra Sejahtera
	PBJ PT Putra Bongan Jaya
	PBJ2 PT Persada Bangun Jaya
	REAK PT REA Kaltim Plantations
	SYB PT Sasana Yudha Bhakti
	SYB swap: land surrender
	SYB swap: new PU land



Appendix II: Oil palm production cycle

Cultivation



Seedling nursery

Oil palms are grown from specially selected seed bought from third party suppliers. Seed is initially planted out in polythene bags in nurseries where it grows into seedlings suitable for planting over a period of nine to twelve months.



Immature area

New areas designated for planting undergo several months of preparation during which roads and bridges are established and a legume cover crop is planted. Seedlings are then transported to the prepared areas and planted out in a triangular pattern of 143 palms per hectare. In hillier areas, seedlings are planted on terraces. Young palms grow for about 30 months after field planting before starting to produce fruit.



Harvesting

Mature palms fruit continuously throughout the year although fruiting volumes reduce slightly during drier months. Fruits grow in bunches, known as fresh fruit bunches ("FFB"), at the intersections of the lower fronds and the trunk. When bunches ripen, they are cut by harvesters, either with a chisel or, in the case of older palms which are taller, with a blade on the end of an extensible pole.



Fresh fruit bunches

Each fresh fruit bunch comprises up to 1,000 fruitlets attached to a fibrous husk. Bunch weights increase progressively from 2.5 kgs at earliest maturity to 15+ kgs at 10 years after planting. As bunches ripen, fruitlets loosen and detach. Bunches are harvested after 10 loose fruitlets have detached. The riper the fruitlets the greater the crude palm oil content. FFB yield per hectare increases to a maximum some eight years after first yield and is maintained until the last five years of the 25 year life of the palm.



Fruitlets

Each individual fruitlet is made up of a central "endocarp" or nut and an outer "pericarp". The pericarp consists of a skin or "exocarp" and a fleshy pulp surrounding the nut known as the "mesocarp". It is the mesocarp that contains crude palm oil. The nut separately consists of an outer shell and a kernel. The latter contains palm kernel oil, a lauric oil that is similar to coconut oil.



Crop transport

Harvested bunches (together with the detached fruitlets which have a particularly high oil content) are taken to collection points on the estate roads. From there, they are loaded into mini-tractors and transferred to bins. The bins are then loaded onto lorries and taken to the group's oil mills via a weighbridge before the bin loads are discharged for processing.

Appendix II: Oil palm production cycle

continued

Processing



Steam sterilisation

Loaded cages are run into sterilisation chambers where bunches are subjected to pressurised steam sterilisation for approximately two hours. Sterilised bunches are transferred to thresher drums, where individual fruitlets are separated from the fibrous bunch base.



Pressing

Separated fruitlets pass through a screw press which extracts the crude palm oil from the fleshy pulp or mesocarp leaving a press-cake containing fibre and nuts.



Clarification/Purification/Storage

Extracted crude palm oil then proceeds through clarification, purification and vacuum drying processes and, thereafter, is stored in tanks adjacent to each mill.



Kernel crushing

The press cake is separated by pneumatic separation (winnowing) into fibre and nuts. The nuts are passed to a nut cracker. After cracking, the resultant kernels and shell are separated and the kernels are transferred to a palm kernel crushing plant. The palm kernels are further processed to extract the crude palm kernel oil that these contain.



Process energy

The mill is powered by two large boilers which generate steam for the turbines that power the mill and for uses in processing. Mill boilers run on the fibrous residues from the screw presses and from the shell from the nut cracking process. In normal operation, the mill can run entirely on the waste product of its own process.



Composting

All processing waste is recycled. Oil mill effluent is passed through a digester (see "Methane capture" below) and is then composted with empty fruit bunches. The composting process is assisted by an accelerant and takes 45 days for each batch. The resultant compost is used in substitution for inorganic fertiliser.

Appendix II: Oil palm production cycle

continued

Despatch



River transport by barge

Crude palm oil and crude palm kernel oil produced by the mills are transported by road to nearby loading points on the Belayan river and are then transferred downstream by barge. The group operates a fleet of river barges of varying capacities ranging between 750 and 4,000 tonnes. Tugs tow the barges up and down river. Most of the barges are owned by the group, although some are time chartered. The larger vessels are also equipped for sea voyages



Transshipment terminal

The group has its own transshipment terminal on the Mahakam river downstream of the port of Samarinda. Here, crude palm oil and crude palm kernel oil are transferred to tanks pending delivery to buyers in the Indonesian archipelago or to international destinations. Buyers also collect oil from the terminal in ocean going ships of up to 6,000 tonnes.

Methane capture



An important measure to reduce the group's carbon footprint has been the construction of two methane capture plants. Methane released by the mill effluent is captured, passed through a biological scrubber and then used to fuel gas turbines. The electricity generated is used to power the mills, estate buildings and employee housing, reducing dependence upon diesel powered generators and thus further reducing the group's carbon footprint. Methane that cannot be utilised for electricity generation at present may be flared to convert it to carbon dioxide. Carbon dioxide has a much lower global warming potential than methane, meaning that it traps less heat in the earth's atmosphere, and therefore makes a smaller contribution to global warming. Surplus electricity generated by the methane capture plants is also supplied to the Indonesian state electricity company (PLN) to provide power for sale to 21 villages in the vicinity of the group's operations.

Appendix III: Consolidated income statements

	2014 \$'000	2013 \$'000	2012 \$'000
Revenue	125,865	110,547	124,600
Net (loss)/gain arising from changes in fair value of agricultural produce inventory	(1,692)	548	(5,677)
Cost of sales	(77,914)	(69,901)	(63,566)
Gross profit	46,259	41,194	55,357
Net gain arising from changes in fair value of biological assets	3,571	7,133	5,979
Other operating income	2	–	12
Distribution costs	(1,325)	(1,290)	(1,601)
Administrative expenses	(16,391)	(18,959)	(18,899)
Impairment loss	–	–	(3,000)
Operating profit	32,116	28,078	37,848
Investment revenues	398	467	411
Finance costs	(8,770)	(3,329)	(7,701)
Profit before tax	23,744	25,216	30,558
Tax	(1,763)	(12,544)	(12,855)
Profit for the year	21,981	12,672	17,703
Attributable to:			
Ordinary shareholders	14,153	5,457	11,342
Preference shareholders	8,140	7,291	6,713
Non-controlling interests	(312)	(76)	(352)
	21,981	12,672	17,703
Earnings per 25p ordinary share	40.3 cents	15.8 cents	33.9 cents

Earnings before interest, tax, depreciation and amortisation and net biological gain			
Operating profit	32,116	28,078	37,848
Depreciation and amortisation	10,252	9,324	6,214
Net biological gain	(3,571)	(7,133)	(5,979)
	38,797	30,269	38,083

Appendix IV: Consolidated balance sheets

	2014 \$'000	2013 \$'000	2012 \$'000
Non-current assets			
Goodwill	12,578	12,578	12,578
Biological assets	310,175	288,180	265,663
Property, plant and equipment	151,172	146,998	145,610
Prepaid operating lease rentals	33,879	30,454	26,630
Indonesian stone and coal interests	31,334	30,427	29,480
Deferred tax assets	8,909	9,515	6,063
Non-current receivables	2,749	2,250	2,470
Total non-current assets	550,796	520,402	488,494
Current assets			
Inventories	16,180	17,345	20,712
Investments	–	–	1,256
Trade and other receivables	25,487	28,625	32,155
Cash and cash equivalents	16,224	34,574	26,393
Total current assets	57,891	80,544	80,516
Total assets	608,687	600,946	569,010
Current liabilities			
Trade and other payables	(17,818)	(16,908)	(30,051)
Current tax liabilities	(2,581)	(2,934)	(4,348)
Bank loans	(40,326)	(35,033)	(1,000)
Sterling notes	(14,693)	–	–
US dollar notes	–	(5,964)	(691)
Hedging instruments	(9,590)	–	–
Other loans and payables	(1,238)	(940)	(1,105)
Total current liabilities	(86,246)	(61,779)	(37,195)
Non-current liabilities			
Bank loans	(60,638)	(62,281)	(51,194)
Sterling notes	(37,713)	(55,708)	(54,279)
US dollar notes	(33,472)	(33,468)	(48,007)
Preference shares issued by a subsidiary	–	(38)	(54)
Hedging instruments	–	(7,892)	(11,622)
Deferred tax liabilities	(77,191)	(73,404)	(44,372)
Other loans and payables	(6,802)	(6,935)	(7,257)
Total non-current liabilities	(215,816)	(239,726)	(216,785)
Total liabilities	(302,062)	(301,505)	(253,980)
Net assets	306,625	299,441	315,030
Equity			
Share capital	112,974	101,574	97,565
Share premium account	23,366	25,161	18,680
Translation reserve	(44,324)	(32,549)	(4,854)
Retained earnings	212,928	203,225	201,630
	304,944	297,411	313,021
Non-controlling interests	1,681	2,030	2,009
Total equity	306,625	299,441	315,030

At a glance

Operations

Management and localisation

Appendices

Appendix V: Land and outputs

Land

Areas planted as at 31 December 2014 amounted in total to 34,614 hectares as shown in the table of land holdings below:

	Hectares
Mature areas	
1994	416
1995	1,956
1996	2,272
1997	2,479
1998	4,829
1999	351
2000	874
2004	3,190
2005	2,279
2006	3,362
2007	3,455
2008	991
2009	461
2010	1,360
	28,275
Immature areas	
2011	860
2012	2,140
2013	2,555
2014	784
	34,614
Titled balance	35,970
	70,584
Allocations	37,631
Total	108,215

Crops and extraction rates

The following table shows the FFB crops, the CPO, palm kernel and CPKO production and resultant extraction rates for 2014:

FFB crops (tonnes)	
Group	631,728
External purchases	149,002
Total	780,730
Production (tonnes)	
CPO	169,466
Palm kernels	35,764
CPKO	12,596
Extraction rates (percentage)	
CPO	21.7
Palm kernels	4.6
CPKO	38.1

Conservation



Borneo orangutan (*Pongo pygmaeus*), Endangered



Sun bear (*Helarctos malayanus*), Vulnerable



Siamese crocodile (*Crocodylus siamensis*), Critically Endangered



R.E.A. HOLDINGS PLC

R.E.A. Holdings plc
First Floor
32-36 Great Portland Street
London
W1W 8QX

www.rea.co.uk