R.E.A. HOLDINGS PLC

Half yearly report

2017

R.E.A. Holdings plc ("REA") is a UK 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 and sale of crude palm oil ("CPO") and crude palm kernel oil ("CPKO").

Key statistics

	6 months to 30 June 2017	6 months to 30 June 2016
Results ($'000)		
Revenue	46,275	39,337
Earnings before interest, tax, depreciation and amortisation	8,348	7,477
Loss before tax	(15,708)	(5,190)
Loss for the period	(14,449)	(4,437)
Loss attributable to ordinary shareholders	(14,144)	(7,911)
Cash (utilised)/generated by operations	(799)	1,165
Loss per share (US cents)	(34.6)	(21.5)

Average exchange rates		
Indonesian rupiah to US dollar	13,344	13,479
US dollar to pound sterling	1.27	1.43

FFB crops (tonnes)		
Group harvested	241,235	225,171
Third party harvested	52,780	48,249
Total	294,015	273,420
Production (tonnes)		
FFB processed	288,477	271,317
FFB sold	5,892	2,443
CPO	63,867	64,618
Palm kernels	12,776	12,967
CPKO	4,583	4,863

Extraction rates (percentage)		
CPO	22.1	23.8
Palm kernel	4.4	4.8
CPKO	37.2	31.9

References to group companies in this report are as defined under the map on page 3.

References to "dollars" and "$" are to the lawful currency of the United States of America.

References to "rupiah" are to the lawful currency of Indonesia.

Contents

Overview

Operationally the group has turned around. The accompanying results reflect the problems of the difficult past two years which are now largely behind us. FFB production in the second half of 2017 is expected to be 50 per cent higher than in the first half. Crops started to recover in May and the recovery has been strengthening month by month since then, driven by improvements in harvesting, the increased fertiliser programme and optimisation of field disciplines. Incentive targets for harvesters are supporting the increase in production while rehabilitation of infrastructure is improving field access and crop evacuation. There should be further significant progress in 2018 with an FFB crop projected at comfortably over 700,000 tonnes against 468,000 tonnes in 2016.

Since revenues from additional crops and higher extraction rates fall largely through to the bottom line, financial performance should mirror operational performance with significantly better results in the second half of 2017 and again better in 2018.

Highlights

Financial

- Revenues up 18 per cent to $46.3 million (2016: $39.3 million) reflecting the recovery in operational performance in May and June and firmer selling prices
- Cost of sales increased to $39.1 million (2016: $32.5 million) reflecting increased volumes, increased payments for external FFB and investment in rehabilitation of the mature areas
- EBITDA increased to $8.3 million (2016: $7.5 million), after $1.1 million of one off costs related to staff changes and the reorganisation of Indonesian offices
- Pre-tax loss of $15.7 million (2016: $5.2 million) – mainly due to mark-to-market movements on foreign currency liabilities and produce stocks
- Average selling prices for CPO of $622 (2016: $516) and for CPKO of $1,290 (2016: $985)
- Two year refinancing of group indebtedness largely complete, with £8.3m sterling notes due December 2017

Agricultural operations

- Improved crop in May and June contributing to increase in FFB to 241,235 tonnes (2016: 225,171 tonnes)
- Third party FFB of 52,780 tonnes (2016: 48,249 tonnes)
- Extraction rates slightly lower at 22.1 per cent (2016: 23.8 per cent), reflecting harvesting and logistics difficulties in the first four months of the period; rates improved in May and June
- Strong recovery in July and August: combined FFB of 95,000 tonnes (July and August 2016: 45,000 tonnes) and extraction rate of 23.2 per cent
- Conclusion of PU land transaction
- After taking account of adverse weather impact, revised target of 3,000 hectares of new plantings in 2017, with 1,000 hectares carried over to first quarter of 2018

Stone and coal operations

- Operations started on limestone quarry adjacent to the PBJ property, with 12,000 tonnes of stone now delivered to the crushing facility at PBJ
- Arrangements proceeding for mining Kota Bangun coal concession and acquiring port access for loading and barging, as well as sale of the existing coal stockpile

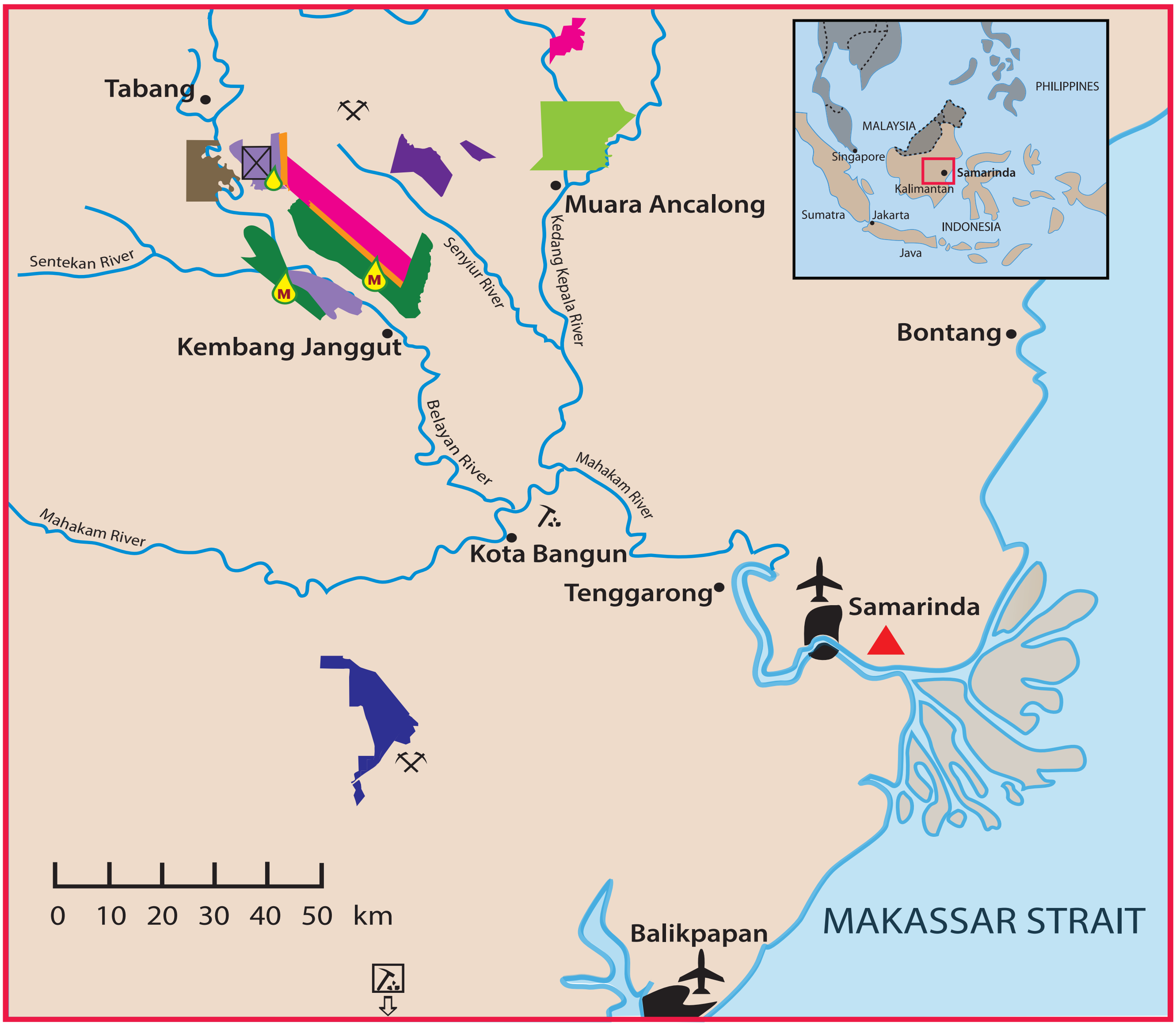
Sustainability

- RSPO recertification of Cakra and Perdana oil mills achieved
- RSPO and ISCC surveillance audits completed successfully
- Third biennial sustainability report to be published shortly

Outlook

- Significant increase in crop production - combined crop for July and August more than double the same period last year
- Expected FFB crop for 2017 around 600,000 tonnes (2016: 468,000 tonnes); in excess of 700,000 tonnes in 2018
- Increasing revenues and improving extraction rates with a direct positive impact on profits in second half due to fixed cost base

Maps



The smaller map shows the location of the 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 source
	Coal concession
	Tank storage

Companies		
	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
	PU	PT Prasetia Utama
	SYB	SYB land transfer

Interim management report

Results

Salient items, group revenue and loss before tax for the six months to 30 June 2017, with comparative figures for 2016, were as follows:

	6 months to 30 June 2017 $'m	6 months to 30 June 2016 $'m	Year to 31 December 2016 $'m
Mark-to-market items	(6.0)	1.3	8.4
One off items	(1.1)	1.1	1.1
	(7.1)	2.4	9.5
Revenue	46.3	39.3	79.3
Other net costs	(54.9)	(46.9)	(98.1)
	(8.6)	(7.6)	(18.8)
Loss before tax	(15.7)	(5.2)	(9.3)

As reported under "Agricultural operations" below, the year 2017 to-date has seen a progressive and marked recovery in operational performance and the group is confident that this will continue. However, crops only started to improve from May so that crops to end June were only slightly ahead of those of 2016. With better prices largely offset by additional costs incurred on rehabilitation of the mature areas and an increase of $1.8 million in the depreciation charge, it was to be expected that the operating loss for the first half of 2017 would be not dissimilar from that of the corresponding period in 2016 and this proved to be the case.

The increased loss before tax principally reflected adverse movements between the six months to 30 June 2017 and the corresponding period of 2016 of $2.2 million in respect of one off items and of $7.3 million in respect of mark to market differences on foreign currency liabilities and produce stocks. The one off item of $1.1 million in 2017 comprised costs related to staff changes and the reorganisation of the group's Indonesian offices while 2016 benefited from a one off receipt of $1.1 million booked in investment revenues.

Earnings before interest, depreciation, amortisation and tax amounted to $8.3 million for the six months to 30 June 2017 (2016: $7.5 million).

Specific components of the results

Cost of sales for the six months to 30 June 2017, with comparative figures for 2016, was made up as follows:

	6 months to 30 June 2017 $'m	6 months to 30 June 2016 $'m	Year to 31 December 2016 $'m
Depreciation and amortisation	10.8	9.0	21.0
Purchase of external FFB	7.1	3.8	9.1
Estate operating costs	21.2	19.7	41.7
	39.1	32.5	71.8

As noted in previous reports, the amendment of IAS 41 Agriculture effective 1 January 2016 has resulted in the discontinuation of the previous movement in the fair value of biological assets and its replacement by a depreciation charge. Whilst this change has no effect on the group's cash flows, it means that the group now reports a depreciation charge that is higher and profits that are lower than they would have been applying the previous accounting provisions of IAS 41.

The increased cost of purchasing external fresh fruit bunches ("FFB") reflected a slight increase in the volume purchased, the payment of higher purchase prices than in 2016 and the payments of premia for better quality FFB. The prices for third party fruit are set monthly by a local government authority and are based on prices prevailing in the preceding month. In a period of falling prices, such as occurred in the six months to 30 June 2017, the prices set will be above prevailing spot prices. Margins earned by the group on milling external FFB during this period were therefore lower than normal.

The reported increase in operating costs of $1.5 million represented additional expenditure on harvesting, road upkeep and weeding as part of the work on the rehabilitation of the mature areas referred to above.

Administrative expenses at $7.3 million were much in line with the $7.2 million reported in 2016. The 2017 figure would have been lower were it not for the one off costs already mentioned in relation to staff changes and the combination of the former Jakarta and Samarinda offices into the group's new office in Balikpapan.

Investment revenues in the six months to 30 June 2016 of $1.2 million included interest of $1.1 million in respect of a tax refund. This was a one off item and, as a result, investment revenues for the six months to 30 June 2017 were substantially lower at $0.3 million.

Finance costs amounted to $13.5 million (2016: $4.9 million). A major component of the increase was exchange losses of $4.2 million in 2017 (arising from the strengthening of sterling and the rupiah against the dollar over the first six months of 2017) against exchange gains of $2.1 million in 2016.

Interest incurred was also higher due to the combination of an increased level of borrowings and a greater proportion of bank loans being denominated in rupiah (with rupiah borrowings carrying interest at significantly higher rates than dollar borrowings).

The tax credit for the six months to 30 June 2017 of $1.3 million has been stated after providing $0.9 million against deferred tax credits previously recorded against losses which may not now be capable of use prior to time expiry and after deduction of a further $1.4 million in respect of interest charges disallowed in certain of the Indonesian subsidiaries following the recent introduction of legislation limiting the deductibility of interest.

Ordinary dividend

In line with previous indications and in view of the current financial performance and the need to fund the continuing development programme that is important to the group's future, the directors do not consider it appropriate to declare an interim ordinary dividend in respect of 2017. If crops continue to recover as expected, prices for the group's palm products are maintained at around current levels and the coal operations start to return cash to the group, the directors hope that the payment of ordinary dividends can be resumed at an early date.

Agricultural operations

The key agricultural statistics were as follows:

	6 months to 30 June 2017	6 months to 30 June 2016
FFB crops (tonnes)		
Group harvested	241,235	225,171
Third party harvested	52,780	48,249
Total	294,015	273,420
Production (tonnes)		
Total FFB processed	288,477	271,317
CPO	63,867	64,618
Palm kernels	12,776	12,967
CPKO	4,583	4,863
Extraction rates (percentage)		
CPO	22.1	23.8
Palm kernel	4.4	4.8
CPKO	37.2	31.9
Rainfall (mm)		
Average across the estates	2,034	1,574

As previously reported, the harvesting and transportation difficulties experienced at the end of 2016 continued into the first half of 2017 but the operating situation steadily improved over the period and this improvement is continuing into the second half. Crops started to recover in May and subsequent further recovery has been such that the combined crop for July and August amounted to 95,000 tonnes against 45,000 tonnes in 2016. Third party fruit purchases are also increasing.

Harvester numbers are now close to their full complement and more rigorous incentive targets are supporting the drive to increase production. As previously reported, increased fertiliser programmes were introduced into the mature areas in 2016 and the benefit of these programmes and other measures to optimise field disciplines, supported by advice from the recently engaged agronomy adviser, are becoming progressively evident.

Action to strengthen the group's road infrastructure is steadily improving access to the mature areas and evacuation of harvested crop to the group's mills. Out of a total of some 244 kilometres of main roads and collection roads, 120 kilometres are targeted for resurfacing in the coming months.

Mill extraction rates to June 2017 reflect the harvesting and transportation difficulties of the first four months of the year but are also recovering. The CPO extraction rate for July and August combined was 23.2 per cent.

Works to improve the resilience of the group's newest mill at Satria and to refurbish the last of four boilers in the older mills are now expected to be completed by mid 2018. Existing processing capacity is sufficient for the group's own processing requirements and to process expected crops from smallholders; the works currently in hand should ensure that there is adequate processing capacity at least until 2019 when a further mill is envisaged at PBJ.

The CPO price, CIF Rotterdam, started the year in strong fashion rising from $790 per tonne at the beginning of January to $857 per tonne by the middle of the month on the back of generally lower production. Thereafter, with stock levels increasing and expectations of significant production growth in the second half of the year, the price drifted downward reaching a low point of $645 at the end of June. Subsequent indications that production in the second half of 2017 may be less buoyant than initially expected have been accompanied by some recovery in the price to its current level of $737 per tonne and may be expected to support the price remaining at this level into 2018.

CPKO prices in January maintained the exceptionally high premia over CPO experienced in the last quarter of 2016, reaching a price of $1,800 per tonne, CIF Rotterdam, at the end of January. Prices then declined to approximately $1,000 per tonne in late June before recovering to a current level of $1,300 per tonne, reflecting concerns at the continued inadequacy of supplies of coconut oil for which CPKO can be a substitute.

The average selling price for the group's CPO for the six-month period to 30 June 2017, on an FOB basis at the port of Samarinda and after payment of export imposts, was $622 per tonne (2016: $516 per tonne). The average selling price for the group's CPKO on the same basis was $1,290 per tonne (2016: $985 per tonne). In addition, the group was able to realise a premium of $5.20 per tonne on 14,536 tonnes of CPO sold as ISCC certified and a premium of $50 per tonne on 1,500 tonnes of CPKO sold under the mass balance system during the half year to 30 June 2017.

Development work at PBJ and CDM was hampered by the weather conditions in the first half of 2017 as extension planting at both estates, planned to occur predominantly in lower lying areas, had to be delayed until consistently drier weather would permit bunding for flood control to be completed. With drier weather settling in since August, construction of the bunding on the north west section of PBJ is expected to be completed within the next few weeks. Bunding at CDM is also progressing well. In both cases, the new bunding is to the same specification as the previously constructed bunding at PBJ that proved completely effective throughout the heavy rains of the first half of the year.

The group had planned to plant 4,000 hectares across the PBJ and CDM estates during 2017, but the speed at which this planting can be completed will be dependent upon weather conditions and, as respects a limited portion of the area, resolution of certain land matters. The group has now set a target of completing 3,000 hectares in 2017 and the balance of 1,000 hectares in the first quarter of 2018.

Cumulative development to 30 June 2017 is detailed below:

	Six months to 30 June 2017 Hectares
Cleared, not yet planted at 1 January 2017	1,581
Cleared during the period	393
Cleared, not yet planted at end of period	(1,733)
Planted during the period	241

Sales of renewable energy to PLN, the Indonesian national electricity company, for distribution to local villages amounted to over $305,000 in the six month period to the end of June 2017 (2016: $278,000) with household take-up continuing to grow each month.

Implementing agreements were executed in July 2017 in respect of the arrangements that were finalised late in 2015 to sell land held by the group's subsidiary company, SYB and acquire land held by PU. The agreements provided that SYB transfer to an Indonesian company, PT Ade Putra Tanrajeng ("APT"), land areas of 3,554 hectares held by SYB that overlap with mineral rights held by APT. In exchange, ownership of PU, an associate of APT that holds 9,097 hectares of fully titled agricultural land, would be transferred to SYB and its local partner. The transfer of the PU shares has now been completed (with SYB taking 95 per cent of the shares) and APT and its associates have been granted access to the SYB mining overlap areas pending the transfer of land titles relating to those areas which will be completed in due course.

SYB now has full legal access to this additional land bank and plans to establish nurseries on the PU land and to negotiate compensation arrangements with local villages that have land overlapping the PU area, in preparation for the planting out of areas designated for oil palm development.

Stone and coal operations

The limestone quarry adjacent to the group's PBJ property commenced operations in May 2017 and some 12,000 tonnes of stone have been delivered to the crushing facility that has been established on PBJ's land. Crushing operations commenced in early September. A proportion of the crushed stone is to be purchased by PBJ for road hardening, which is due to begin later in 2017, and the balance sold to third parties.

Further consideration is being given to the development of the group's andesite stone concession with a recent feasibility study indicating a reduced upfront cost of opening a quarry at this concession of some $3 million and the prospect of a payback in a few months. The group remains of the view that there is local demand for stone in the volumes that the feasibility study assumes. For the moment, to the extent that any further capital is to be committed to its stone and coal operations, the group is giving priority to the reopening of its coal concessions, as it believes that these offer greater certainty of quicker returns with lower risk than the andesite concession.

Of the group's two coal concessions, the most important is the Kota Bangun concession as this principally contains high value semi-soft coking coal which is currently in good demand. The group is at an advanced stage in discussions with the owners of an adjacent mine and the local Indonesian authorities with a view to acquiring from the adjacent owner and relicensing an established loading point on the Mahakam River, together with a coal conveyor crossing the group's concession and running to the loading point. At the same time, the group is seeking to obtain rights to use the adjacent mine to access coal on the border of the group's concession. Dewatering has been deferred pending completion of these discussions but can start immediately they are successfully concluded. The group is also taking steps to complete the sale of the existing coal stockpile at the concession of some 16,000 tonnes, as soon as access to the loading point on the Mahakam has been confirmed.

Efforts are continuing to conclude arrangements in respect of the group's Liburdinding concession similar to those applicable to the Kota Bangun concession whereby a third party would mine on a basis that would give the group a guaranteed minimum revenue. Past discussions with potentially interested parties have proved abortive but it is hoped that, with coal prices now at much better levels than for some time, a potentially interested party that is currently undertaking a limited drilling programme on the concession will be willing to proceed to an agreement following completion of that drilling.

Sustainability

The group's third sustainability report will be published shortly and will be available for download from the group's website: www.rea.co.uk. This report monitors the group's progress in meeting its sustainability commitments and describes in greater detail environmental and social challenges faced by the group through 2015 and 2016.

After a delay of over a year following the RSPO recertification audits conducted in May 2016, the outstanding certificate for Cakra oil mill ("COM") was finally issued by the certifying body in August 2017. This means that both of the group's older mills, Perdana oil mill ("POM") and COM, which are subject to audits every five years under the RSPO system, are now successfully recertified. The newer Satria oil mill ("SOM") has yet to be audited owing to the continuing process of resolving SYB's outstanding High Conservation Value ("HCV") compensation liability in respect of 20 hectares, which were inadvertently cleared without completion of the required RSPO procedures. Resolution of this issue should be concluded in the coming months.

As the HCV compensation process has progressed, the group has constructed further housing, healthcare and waste facilities at SYB ensuring that villages meet the required standards for the RSPO assessment. Internal audits have been conducted at SOM and Satria estate in preparation for the eventual RSPO audit. All other audits conducted during the first half of 2017 have been concluded successfully: the annual RSPO surveillance audits were conducted by a third party assessor for POM and its supply base in April 2017; ISCC audits for COM were conducted in February and for POM and SOM in May.

For all new oil palm developments, the group follows the RSPO's New Planting Procedure ("NPP"). Following the reassignment in July 2017 of a land area held by PBJ2 (known as PBJ2-Bongan) to PBJ, the NPP for PBJ has had to be revised and resubmitted. The necessary assessments by a third party consultant are in the final stages and once completed will be submitted to the RSPO for verification and approval. The NPP for the area held by PBJ2 adjacent to SYB (PBJ2-Satria) has been audited by consultants and will shortly be submitted to the RSPO for verification and approval. Now that the shares of PU have been transferred, PU can move to complete the NPP assessment process. The NPP for the KKS area to the north of CDM is at a less advanced stage but the requisite documents have been prepared and a third party consultant is being engaged to complete the full assessment process.

From 1 January 2017, the group ceased using the GreenPalm platform to sell certificates derived from the sale of CPO and CPKO. Instead, the group now uses the RSPO's own book and claim platform, PalmTrace, to facilitate the sale of RSPO credits with one RSPO credit equivalent to one tonne of RSPO certified CPO or CPKO. The RSPO no longer endorses GreenPalm and has replaced this with PalmTrace to make the trading of credits more user friendly, cost effective and easier for members to register and trace their sustainable CPO and CPKO volumes.

Demand for book and claim credits is expected to weaken in the future as global demand for segregated sustainable CPO increases. Producing segregated sustainable CPO offers the prospect of larger sustainability premia than the mass balance system. However, as long as the group receives FFB from non-certified smallholders, its CPO production and sales must follow the mass balance supply chain model. Refusing to process non-RSPO certified smallholder FFB could have a significant negative socio-economic impact on the local communities and could damage the relationships with these communities that are now well established.

The group is therefore investigating the possibility of reconfiguring its supply base, production and transport logistics so as to allow one of the RSPO-certified mills to produce segregated sustainable CPO, using FFB exclusively from the group's own certified plantations, while maintaining the mass balance approach at the other mills. This strategy presents significant logistical challenges that will require capital investment, but the group believes that it represents the best option for achieving the higher premia available for segregated CPO sales while securing the most sustainable and prosperous future for local communities and the group's business.

Financing

At 30 June 2017, the group continued to be financed by a combination of debt and equity (comprising ordinary and preference share capital). There was a decrease in total equity including non-controlling interests to $296.7 million from $309.5 million at 31 December 2016.

Group indebtedness and related engagements at 30 June 2017 totalled $238.5 million against $229.7 million at 31 December 2016. Against this indebtedness, the group held cash and cash equivalents of $3.0 million (31 December 2016: $24.6 million). The composition of the resultant net indebtedness of $235.5 million was as follows:

	$'m
7.5 per cent dollar notes 2022 ("2022 dollar notes") ($24.0 million nominal)	23.6
9.5 per cent guaranteed sterling notes 2015/17 ("2017 sterling notes") (£8.3 million nominal)	10.8
8.75 per cent guaranteed sterling notes 2020 ("2020 sterling notes") (£31.9 million nominal)	39.9
Loan from related party	5.4
Loans from non-controlling shareholder	29.5
Indonesian term bank loans	72.0
Drawings under revolving credit facilities	57.3
	238.5
Cash and cash equivalents	(3.0)
Net indebtedness	235.5

The above statement reflects the receipt in the period of additional loans from the non-controlling shareholder, Dharma Satya Nusantara Tbk ("DSN") and its subsidiaries, of $11.7 million and £3.9 million, a related party loan of $5.4 million, the sale of $4.9 million nominal of the 2022 dollar notes held by the group in treasury at the end of 2016 and the repayment of $20.2 million nominal of 2017 dollar notes on 30 June 2017.

Since 30 June 2017, a further $1.0 million nominal of the 2022 dollar notes held by the group in treasury at end 2016 have been sold leaving $4.0 million still available for sale. In addition, the group has received a refund of previously overpaid taxes equivalent to $4.7 million and, as a result of this refund, a further $750,000 from DSN as additional consideration for DSN's acquisition of the 15 per cent interest in REAK that DSN acquired in 2016. The revolving credit facilities provided by the group's principal Indonesian bankers were rolled over for a further twelve months at the end of July 2017.

As previously reported, the group's financial position has been much improved over the last two years by the subscription of some $28.0 million for additional ordinary and preference capital, the issue of replacement sterling and dollar notes, maturing in, respectively, 2020 and 2022, totalling $65.0 million, the loan and equity investment by the group's new Indonesian partners, DSN, of $44.0 million, a new Indonesian term bank loan equivalent to $18.0 million and extensions to the maturity of other Indonesian bank borrowings. As a result, the refinancing of the group's indebtedness is now substantially complete, leaving £8.3 million of 2017 sterling notes falling due for redemption at the end of 2017.

To the extent that markets permit, during the coming months, the directors will seek to refinance a proportion of the 2017 sterling notes by placing additions to existing issues of fixed interest securities. At the same time, the group is continuing, and expects successfully to conclude, discussions with a number of parties to increase the group's immediate resources and to provide further funding going forward for the planned extension planting programme and expansion of milling capacity.

Whilst the foregoing measures should continue to ensure availability of the funding that the group requires, the group recognises that it is now incurring a relatively high level of interest charges. As an immediate step to address this, the group is currently discussing with its principal Indonesian bankers the conversion of a substantial proportion of its rupiah denominated borrowings into dollar denominated borrowings, upon which the group would then be charged interest at dollar interest rates which are significantly lower than rupiah interest rates. The group is also exploring the possible divestment of certain outlying plantation assets which, if effected, would materially reduce the group's overall borrowings.

Staff

Following the resignation of Mark Parry in February 2017, Carol Gysin assumed the position of group managing director and George Kapitan moved from the role of President Commissioner of REA Kaltim to that of President Director. With the appointment of an Indonesian President Director, the group has been able to assuage the concerns expressed by the Indonesian authorities that contributed to Mark Parry's resignation and cordial relations with the authorities have been restored.

A number of changes have been made to strengthen the senior staff in the agricultural operations. A new head of mills has recently joined the group and two new estate controllers will be joining in the next few weeks. All three of these new staff members are expatriates with many years of experience working on plantations in Indonesia. This will further assist the return to best agricultural practices.

The group has also made changes to enhance coordination between senior staff in London and Indonesia. The group's chief financial and legal officers, Martin Cooper and Matthew Salthouse, who are based in Singapore continue regularly to visit Indonesia for extended periods to oversee the implementation of the group's strategies and policies. Matthew Salthouse is also a director of REAK. Similarly, Luke Robinow, who lives in Indonesia and is a commissioner of REAK, provides the group with oversight of operational activities.

The group completed the relocation of its Indonesian head office to Balikpapan, in East Kalimantan, during the first half of 2017 with the transfer to Balikpapan of the remaining staff from the finance and administration office in Samarinda. Combining all administrative activities within a single location, closer to the group's operations, is facilitating improved internal communication and other efficiencies.

Outlook

Crop yields are showing a material improvement and bunch censuses indicate that cropping should continue at good levels for the rest of 2017. The overall FFB crop for the year (excluding third party fruit) should be in the region of 600,000 tonnes. This would represent a 50 per cent increase in second half crops over those of the first half. With improved disciplines in the field, yields gradually benefiting from a more intensive fertiliser regime and improved transport conditions, the directors have confidence that crops will continue to recover. The directors expect to budget for an FFB crop comfortably in excess of 700,000 tonnes in 2018 and also expect that crops will continue to grow for several years thereafter.

The resumption of coal mining activities, with operational risks being undertaken by third parties, now provides the opportunity to realise value from the group's investment in coal concessions where activity has been suspended since 2014. This will provide additional capital to fund the planned extension planting programme. At the same time, the recent completion of the acquisition of PU surmounts a critical hurdle in ensuring the continuance of extension planting.

The group's financial performance is driven by crop levels, extraction rates and prices. For a given mature area, costs of agricultural operations are for the most part fixed and therefore the major part of the extra revenue that should be generated by the projected 50 per cent increase in crop in the second half of 2017, and the projected further increases in 2018 and beyond, can be expected to flow through to profit. Such flow through will be further enhanced by any improvement in extraction rates. Self-evidently the group has, in recent years, been through a difficult period but, with prices likely to remain stable into next year, the impact on profits of increased crops and improved extraction rates should not only provide clear evidence that the financial condition of the group is being restored but also progressively enable the group to achieve a level of returns commensurate with its capital base.

Approved by the board on 21 September 2017 and signed on its behalf by

DAVID J BLACKETT
Chairman

Risks and uncertainties

The principal risks and uncertainties, as well as mitigating and other relevant considerations, affecting the business activities of the group as at the date of publication of the 2016 annual report (the "annual report") were set out on pages 36 to 41 of that report, under the heading "Risks and uncertainties". A copy of the report may be downloaded from the company's website at www.rea.co.uk. Such risks and uncertainties in summary comprise:

Agricultural operations	
Climatic factors	Material variations from the norm
Cultivation risks	Impact of pests and diseases
Other operational factors	Logistical disruptions to the production cycle, including transportation and input shortages or cost increases
Produce prices	Consequences of lower realisations from sales of CPO and CPKO
Expansion	Delays in securing land or funding for the extension planting programme
Environmental, social and government practices	Failure to meet expected standards
Community relations	Disruptions arising from issues with local stakeholders
Stone and coal operations	
Operational factors	Failure by external contractors to achieve agreed targets
Prices	Consequences of stone or coal price weakness
Environmental, social and government practices	Failure to meet expected standards
General	
Currency risk	Adverse exchange movements between sterling or the Indonesian rupiah and the dollar
Funding	Meeting liabilities as they fall due in periods of weaker produce prices
Counterparty risk	Default by suppliers, customers or financial institutions
Regulatory and country exposure	Failure to meet or comply with expected standards or applicable regulations; adverse political or legislative changes in Indonesia

At the date of the annual report, the directors considered the risks in relation to climatic and other operational factors, produce prices and funding to be of particular significance. In the case of climatic and other operational factors and produce prices, the directors' assessment reflected the negative impact on revenues that could be caused by adverse climatic conditions or operational circumstances and, in the case of funding, the possibility that the group's expansion programme might have to be curtailed.

More stable selling prices for the group's produce combined with increasing production are improving revenues, which, together with the further planned measures to improve the group's funding position (as described under "Financing" in the Interim management report above) are mitigating the funding risk. Subject to that, the directors consider that the principal risks and uncertainties for the second six months of 2017 continue to be those set out in the annual report as summarised above.

In reaching the above conclusion, the directors have also considered the implications of termination of UK membership of the European Union in the context of the group and its operations. Any further weakness of sterling will positively impact the group as its operations are essentially dollar denominated and, accordingly, costs and borrowings incurred in sterling will be reduced in dollar terms.

Going concern

In the statements regarding viability and going concern on pages 43 and 44 of the 2016 annual report published in April 2017, the directors set out consideration with respect to the group's capital structure and their assessment of liquidity and financing adequacy.

As noted under "Financing" in the Interim management report above, the group's financial position has been strengthened by the receipt in April 2017 of further loans from the Dharma Satya Nusantara Tbk group ("DSN"), by rollover of the group's working capital facilities in Indonesia in July 2017, by the sale since the beginning of 2017 of $5.9 million nominal of the 7.5 per cent dollar notes 2022 (the "2022 dollar notes") held in treasury and by a significant recovery of previously overpaid Indonesian tax and a related further payment by DSN. In addition, the group expects successfully to conclude current discussions to increase the cash resources immediately available to the group and to provide funding going forward for planned expansion.

These measures, combined with increasing cash flows from the plantation operations and the sale in due course of the remaining $4.0 million nominal of 2022 dollar notes held in treasury, will underpin the group's improving liquidity. That position will be further augmented if, as is proposed, the group refinances a proportion of the £8.3 million nominal of 9.5 per cent sterling notes 2017 by placing additions to existing issues of fixed interest securities.

Accordingly, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the accompanying financial statements.

Directors' responsibilities

The directors are responsible for the preparation of this half yearly financial report.

The directors confirm that:

- the accompanying condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting"

- the "Interim management report" and "Risks and uncertainties" sections of this half yearly report include a fair review of the information required by rule 4.2.7R of the Disclosure and Transparency Rules of the Financial Conduct Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

- note 14 in the notes to the consolidated financial statements includes a fair review of the information required by rule 4.2.8R of the Disclosure and Transparency Rules of the Financial Conduct Authority, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period, and any changes in the related party transactions described in the 2016 annual report that could do so.

The current directors of the company are as listed on page 42 of the company's 2016 annual report.

Approved by the board on 21 September 2017

DAVID J BLACKETT
Chairman

Consolidated income statement

for the six months ended 30 June 2017

	Note	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Revenue	2	46,275	39,337	79,265
Net (loss) / gain arising from changes in fair value of agricultural inventory	4	(1,830)	(660)	632
Cost of sales:				
Depreciation and amortisation		(10,837)	(9,007)	(20,959)
Other costs		(28,280)	(23,531)	(50,868)
Gross profit		5,328	6,139	8,070
Other operating income	2	–	–	1
Distribution costs		(563)	(508)	(1,110)
Administrative expenses	5	(7,254)	(7,161)	(11,987)
Operating loss		(2,489)	(1,530)	(5,026)
Investment revenues	2	263	1,238	1,742
Finance costs	6	(13,482)	(4,898)	(6,005)
Loss before tax		(15,708)	(5,190)	(9,289)
Tax	7	1,259	753	(2,019)
Loss for the period		(14,449)	(4,437)	(11,308)
Attributable to:				
Ordinary shareholders		(14,144)	(7,911)	(17,800)
Preference shareholders		3,720	3,901	7,402
Non-controlling interests		(4,025)	(427)	(910)
		(14,449)	(4,437)	(11,308)
Loss per 25p ordinary share (US cents)	8	(34.6)	(21.5)	(48.2)

All operations in all periods are continuing

Consolidated balance sheet

as at 30 June 2017

	30 June 2017 $'000	30 June 2016 $'000	31 December 2016 $'000
Non-current assets			
Goodwill	12,578	12,578	12,578
Intangible assets	3,956	–	4,176
Property, plant and equipment	472,469	476,066	471,922
Prepaid operating lease rentals	34,761	34,460	34,230
Stone and coal interests	38,232	36,063	37,208
Deferred tax assets	12,702	13,970	12,781
Non-current receivables	2,142	1,870	3,136
Total non-current assets	576,840	575,007	576,031
Current assets			
Inventories	10,379	8,761	15,767
Biological assets	1,832	–	2,037
Investments	4,930	1,954	9,880
Trade and other receivables	43,611	36,531	42,554
Cash and cash equivalents	2,974	4,463	24,593
Total current assets	63,726	51,709	94,831
Total assets	640,566	626,716	670,862
Current liabilities			
Trade and other payables	(19,267)	(27,517)	(43,426)
Current tax liabilities	(8)	(3,175)	(317)
Bank loans	(29,398)	(54,992)	(28,628)
Sterling notes	(10,803)	–	(10,103)
US dollar notes	–	(33,725)	(20,048)
Other loans and payables	(5,400)	(117)	(519)
Total current liabilities	(64,876)	(119,526)	(103,041)
Non-current liabilities			
Bank loans	(99,844)	(67,274)	(97,771)
Sterling notes	(39,877)	(50,522)	(37,037)
US dollar notes	(23,614)	–	(23,646)
Deferred tax liabilities	(79,124)	(81,005)	(80,830)
Other loans and payables	(36,553)	(16,060)	(18,987)
Total non-current liabilities	(279,012)	(214,861)	(258,271)
Total liabilities	(343,888)	(334,387)	(361,312)
Net assets	296,678	292,329	309,550
Equity			
Share capital	121,426	120,288	121,426
Share premium account	42,585	30,683	42,585
Translation reserve	(33,473)	(41,365)	(39,127)
Retained earnings	147,338	181,188	161,839
	277,876	290,794	286,723
Non-controlling interests	18,802	1,535	22,827
Total equity	296,678	292,329	309,550

Consolidated statement of comprehensive income

for the six months ended 30 June 2017

	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Loss for the period	(14,449)	(4,437)	(11,308)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Actuarial losses	–	–	(569)
Deferred tax on actuarial losses	–	–	143
	–	–	(426)
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	5,575	2,551	5,222
Exchange differences on deferred tax	(278)	2,125	2,617
	5,297	4,676	7,413
Total comprehensive income for the period	(9,152)	239	(3,895)
Attributable to:			
Ordinary shareholders	(8,847)	(3,813)	(10,387)
Preference shareholders	3,720	4,479	7,402
Non-controlling interests	(4,025)	(427)	(910)
	(9,152)	239	(3,895)

Consolidated statement of changes in equity

for the six months ended 30 June 2017

2017	Share capital $'000	Share premium $'000	Translation reserve $'000	Retained earnings $'000	Sub total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017	121,426	42,585	(39,127)	161,839	286,723	22,827	309,550
Total comprehensive income	–	–	5,654	(10,781)	(5,127)	(4,025)	(9,152)
Dividends to preference shareholders	–	–	-	(3,720)	(3,720)	–	(3,720)
At 30 June 2017	121,426	42,585	(33,473)	147,338	277,876	18,802	296,678
2016							
At 1 January 2016	120,288	30,683	(46,282)	187,481	292,170	1,652	293,822
Total comprehensive income	–	–	4,917	(4,479)	438	(199)	239
Dividends to preference shareholders	–	–	–	(3,901)	(3,901)	–	(3,901)
At 30 June 2016	120,288	30,683	(41,365)	179,101	288,707	1,453	290,160
Total comprehensive income	–	–	2,238	(6,345)	(4,107)	(27)	(4,134)
Sale of shareholding in sub-group	–	–	–	(7,416)	(7,416)	21,401	13,985
Issue of new ordinary shares (cash)	1,138	11,902	–	–	13,040	–	13,040
Dividends to preference shareholders	–	–	–	(3,501)	(3,501)	–	(3,501)
At 31 December 2016	121,426	42,585	(39,127)	161,839	286,723	22,827	309,550

Consolidated cash flow statement

for the six months ended 30 June 2017

	Note	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Net cash (used in) / from operating activities	12	(13,253)	(6,658)	2,598
Investing activities				
Interest received		263	1,238	1,742
Proceeds on disposal of property, plant and equipment		–	–	61
Purchases of property, plant and equipment		(11,871)	(8,486)	(31,137)
Expenditure on prepaid operating lease rentals		(701)	(165)	(367)
Investment in stone and coal interests		(1,024)	(725)	(1,860)
Net cash used in investing activities		(13,333)	(8,138)	(31,561)
Financing activities				
Preference dividends paid		(3,720)	(3,901)	(7,402)
Repayment of bank borrowings		(1,544)	(7,552)	(11,004)
Proceeds of issue of ordinary shares, less costs of issue		–	–	13,040
Proceeds of issue of US dollar notes, less costs of issue		–	–	(44)
Redemption of US dollar notes		(20,048)	–	(45)
Proceeds of issue / sale of sterling notes, less costs of issue		–	–	1,922
Proceeds of sale of investments		4,925	–	–
Proceeds of sale of shareholding in subsidiary		–	–	13,985
New borrowings from non-controlling shareholder and related party		22,000	10,000	12,446
New bank borrowings drawn		3,222	4,614	14,939
Net cash from financing activities		4,835	3,161	37,837
Cash and cash equivalents				
Net (decrease) / increase in cash and cash equivalents	13	(21,751)	(11,635)	8,874
Cash and cash equivalents at beginning of period		24,593	15,758	15,758
Effect of exchange rate changes		132	340	(39)
Cash and cash equivalents at end of period		2,974	4,463	24,593

Notes to the consolidated financial statements

1. Basis of accounting

The condensed consolidated financial statements for the six months ended 30 June 2017 comprise the unaudited financial statements for the six months ended 30 June 2017 and 30 June 2016, neither of which has been reviewed by the company's auditor, together with audited financial statements for the year ended 31 December 2016.

The information shown for the year ended 31 December 2016 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, and is an abridged version of the group's published financial statements for that year which have been filed with the Registrar of Companies. The auditor's report on those statements was unqualified and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and should be read in conjunction with the annual financial statements for the year ended 31 December 2016 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those set out in the group's annual report for 2016.

For the reasons given under "Going concern" above, the financial statements have been prepared on the going concern basis.

The condensed consolidated financial statements for the six months ended 30 June 2017 were approved by the Board of Directors on 21 September 2017.

2. Revenue

	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Sales of goods	45,708	38,100	77,642
Revenue from services	567	1,237	1,623
	46,275	39,337	79,265
Other operating income	–	–	1
Investment revenue	263	1,238	1,742
Total revenue	46,538	40,575	81,008

3. Segment information

The group continues to operate in two segments, being the cultivation of oil palms and the stone and coal operations, together with head office made up of the activities of the UK, European and Singaporean subsidiaries. In the period ended 30 June 2017, the relevant measures for the stone and coal operations continued to fall below the quantitative thresholds set out in IFRS 8. Accordingly, no segment information is included in these financial statements.

4. Agricultural produce inventory movement

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

5. Administrative expenses

	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Net foreign exchange (gains) / losses	–	(33)	1,290
Loss on disposal of property, plant and equipment	–	–	12
Indonesian operations	6,184	5,309	9,621
Head office	3,520	3,530	5,377
	9,704	8,806	16,300
Amount included as additions to fixed assets	(2,450)	(1,645)	(4,313)
	7,254	7,161	11,987

6. Finance costs

	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Interest on bank loans and overdrafts	7,505	5,123	12,617
Interest on US dollar notes	1,639	1,362	2,899
Interest on sterling notes	2,324	2,776	5,184
Interest on other loans	760	–	273
Change in value of sterling notes arising from exchange fluctuations	3,069	(5,641)	(10,470)
Change in value of loans arising from exchange fluctuations	1,110	3,573	1,378
Other finance charges	468	570	251
	16,875	7,763	12,132
Amount included as additions to property, plant and equipment	(3,393)	(2,865)	(6,127)
	13,482	4,898	6,005

7. Tax

	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Current tax:			
UK corporation tax	136	106	1
Overseas withholding tax	494	586	1,604
Foreign tax	16	20	38
Foreign tax - prior year	-	–	3
Total current tax	646	712	1,646
Deferred tax:			
Current year	(2,830)	(1,465)	373
Prior year	925	–	–
Total deferred tax	(1,905)	(1,465)	373
Total tax	(1,259)	(753)	2,019

The tax credit for the period of $1.3 million (2016: $0.8 million) is based on the reported results of the operations in each jurisdiction, using relevant rates of tax, adjusted for items which include non-taxable income/expense, prior year reduction in the carrying value of Indonesian tax losses and Indonesian withholding taxes not utilisable in the UK. If the income mix in the second half of 2017 differs materially from that of the first half, it may result in a disproportionate movement in the effective rate of taxation for the full year.

8. Loss per share

	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Loss for the purpose of calculating loss per share*	(14,144)	(7,911)	(17,800)

* being net loss attributable to ordinary shareholders

	'000	'000	'000
Weighted average number of ordinary shares for the purpose of loss per share	40,510	36,840	36,950

9. Dividends

	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Amounts recognised as distributions to equity holders:			
Preference dividends of 9p per share per annum (2016: 9p per share)	3,720	3,901	7,402
	3,720	3,901	7,402

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

In the period, there were additions to property, plant and equipment of $11.9 million (31 December 2016: $31.1 million, 30 June 2016: $8.5 million).

Capital commitments contracted, but not provided for by the group as at 30 June 2017, amounted to $2.4 million (31 December 2016: $1.4 million, 30 June 2016: $0.4 million).

11. Fair values of financial instruments

The table below provides an analysis of the book values and fair values of financial instruments, excluding receivables and trade payables and Indonesian coal interests, as at the balance sheet date. Cash and deposits, US dollar notes and sterling notes are classified as level 1 in the fair value hierarchy prescribed by IFRS 7 "Financial instruments: disclosures". (Level 1 includes instruments where inputs to the fair value measurements are quoted prices in active markets). All other financial instruments are classified as level 3 in the fair value hierarchy. (Level 3 includes instruments which have no observable market data to provide inputs to the fair value measurements). No reclassifications between levels in the fair value hierarchy were made during 2017 (2016: none).

	30 June 2017 Book value $'000	30 June 2017 Fair value $'000	30 June 2016 Book value $'000	30 June 2016 Fair value $'000	31 December 2016 Book value $'000	31 December 2016 Fair value $'000
Cash and deposits*	2,974	2,974	4,463	4,463	24,593	24,593
Debt-within one year*	(29,398)	(29,398)	(64,992)	(64,992)	(28,628)	(28,628)
Debt-after more than one year*	(99,844)	(99,844)	(67,274)	(67,274)	(97,771)	(97,771)
Loan from related party-within one year*	(5,400)	(5,400)	–	–	–	–
Loans from non-controlling shareholder-after more than one year*	(29,516)	(29,516)	–	–	(12,469)	(12,469)
US dollar notes-repayable 2017**	–	–	(33,725)	(29,930)	(20,048)	(20,206)
US dollar notes-repayable 2022**	(23,614)	(23,915)	–	–	(23,646)	(24,035)
Sterling notes-repayable 2017**	(10,803)	(10,651)	(9,496)	(10,842)	(10,103)	(10,143)
Sterling notes-repayable 2020**	(39,877)	(41,479)	(41,026)	(41,060)	(37,037)	(38,553)
Net debt and related engagements	(235,478)	(237,229)	(212,050)	(209,635)	(205,109)	(207,212)

* bearing interest at floating rates
** bearing interest at fixed rates

The fair values of cash and deposits and bank debt approximate their carrying values since these carry interest at current market rates. The fair value of investments approximates their carrying value. The fair values of the US dollar notes and sterling notes are based on the latest prices at which those notes were traded prior to the balance sheet dates.

A one per cent increase in interest applied to those financial instruments shown in the table above which carry interest at floating rates would have resulted over a period of one year in a pre-tax profit (and equity) decrease of approximately $1.6 million (2016: pre-tax profit (and equity) decrease of $1.2 million).

12. Reconciliation of operating profit to operating cash flows

	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Operating loss	(2,489)	(1,530)	(5,026)
Amortisation of intangible assets	201	–	74
Depreciation of property, plant and equipment	10,467	9,181	20,766
Decrease / (increase) in fair value of agricultural produce inventory	1,830	660	(632)
Amortisation of prepaid operating lease rentals	169	–	432
Amortisation of sterling and US dollar note issue expenses	547	306	584
Loss on disposal of property, plant and equipment	–	–	12
Operating cash flows before movements in working capital	10,725	8,617	16,210
Decrease / (increase) in inventories (excluding fair value movements)	3,558	1,770	(3,944)
(Increase) / decrease in receivables	(10,461)	(4,110)	760
(Decrease) / increase in payables	(6,227)	(2,982)	13,136
Exchange translation differences	1,606	(2,130)	(791)
Cash (utilised) / generated by operations	(799)	1,165	25,371
Taxes paid	(34)	(52)	(2,313)
Tax refunds received	–	–	241
Interest paid	(12,420)	(7,771)	(20,701)
Net cash (to) / from operating activities	(13,253)	(6,658)	2,598

13. Movements in net borrowings

	6 months to 30 June 2017 $'000	6 months to 30 June 2016 $'000	Year to 31 December 2016 $'000
Change in net borrowings resulting from cash flows:			
(Decrease) / increase in cash and cash equivalents	(21,619)	(11,635)	8,874
Net increase in borrowings	(1,678)	(7,062)	(3,935)
Increase in non-controlling shareholder and related party borrowings	(22,966)	–	(12,469)
	(46,263)	(18,697)	(7,530)
Issue of US dollar notes	–	–	(345)
Amortisation of sterling notes expenses	(471)	(218)	(318)
Amortisation of US dollar notes expenses	(76)	(88)	(266)
Redemption of US dollar notes	20,048	–	–
	(26,762)	(19,003)	(8,459)
Currency translation differences	(3,607)	5,639	2,036
Net borrowings at beginning of period	(205,109)	(198,686)	(198,686)
Net borrowings at end of period	(235,478)	(212,050)	(205,109)

14. 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.

During the period the company has drawn a short term unsecured dollar loan from R.E.A. Trading Limited, a company controlled by Mr R M Robinow and his family, on normal commercial terms as to interest. At 30 June 2017, the loan amounted to $5.4 million. Other than this loan during the first six months of 2017 there have been no other new material related party transactions and only those related transactions which were disclosed in the company's 2016 annual report have continued.

15. Events after the reporting period

Resolution of competing rights over certain plantation areas

Implementing agreements were executed in July 2017 in respect of the arrangements that were finalised in late 2015 to sell land held by the group's subsidiary company, SYB and acquire land held by PT Prasetia Utama ("PU"). Under the agreements, SYB is to sell 3,554 hectares of its land areas that overlap with mineral rights held by an Indonesian third party company, PT Ade Putra Tanrajeng ("APT"), and SYB and its local partner is to purchase shares in PU, an associate of APT, that holds 9,097 hectares of fully titled land areas. The acquisition of the PU shares by SYB and its local partner has now been completed (with SYB taking 95 per cent of the PU shares). Meanwhile APT and its associates have been granted access to the SYB mining overlap areas pending completion of the legal formalities relating to the land titles for such areas, which will take place in due course.

16. Rates of exchange

	30 June 2017		30 June 2016		31 December 2016	
	Closing	Average	Closing	Average	Closing	Average
Indonesian rupiah to US dollar	13,319	13,344	13,180	13,479	13,436	13,369
US dollar to pound sterling	1.2990	1.27	1.3428	1.43	1.2226	1.36

Reference to "dollars" and "$" are to the lawful currency of the United States of America.

17. Cautionary statement

This document contains certain forward-looking statements relating to R.E.A. Holdings plc ("the group"). The group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the group to differ materially from those contained in any forward-looking statement. These statements are made by the directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

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