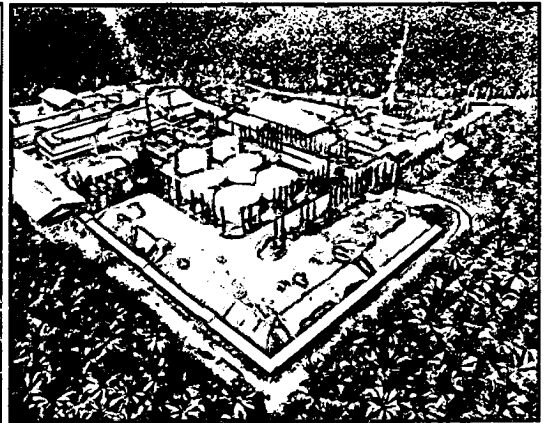




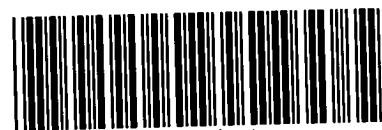
R.E.A. HOLDINGS PLC



Annual Report and Accounts

2023

TUESDAY



A10 *AD24A0M3* 30/04/2024 #188
COMPANIES HOUSE

R.E.A. Holdings plc (REA or the company) 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.

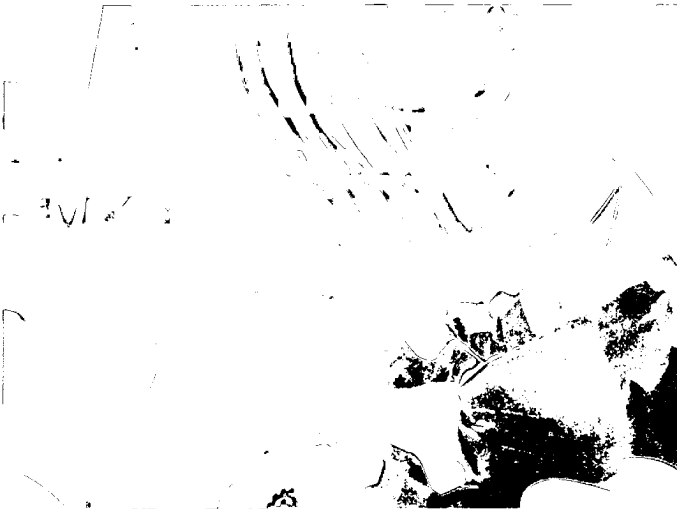
The REA group (the company and its subsidiaries) is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production and sale of crude palm oil and crude palm kernel oil.



Oil palm plantation (East Kalimantan, Indonesia)



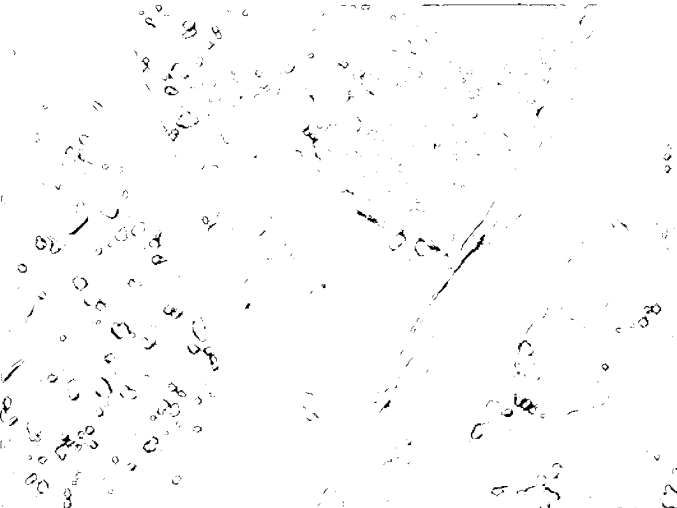
Oil palm plantation (East Kalimantan, Indonesia)



Modern medical center



Modern school classroom



Oil palm plantation (East Kalimantan, Indonesia)



Oil palm plantation (East Kalimantan, Indonesia)

Contents

Overview	
Key statistics	2
Highlights	3
Officers and advisers	4
Map	5
Strategic report	
Chairman's statement	6
Introduction and strategic environment (including Non-financial and sustainability information statement, Section 172(1) statement, and Taskforce on Climate-related Financial Disclosures)	8
Agricultural operations	17
Stone, sand and coal interests	23
Environmental, social and governance (including SECR)	25
Finance	37
Principal risks and uncertainties	42
Governance	
Board of directors	49
Directors' report	50
Corporate governance report	59
Audit committee report	66
Directors' remuneration report	70
Directors' responsibilities	80
Independent auditor's report	81
Group financial statements	
Income statement	92
Statement of comprehensive income	93
Balance sheet	94
Statement of changes in equity	95
Cash flow statement	96
Notes	97
Company financial statements	
Balance sheet	138
Statement of changes in equity	139
Notes	140
Notice of annual general meeting	148
Glossary	153

The terms FFB, CPO and CPKO mean, respectively, fresh fruit bunches, crude palm oil and crude palm kernel oil.

References in this report to group operating companies in Indonesia are as listed under the map on page 5.

Other terms in this report are listed in the glossary.

Overview

Key statistics

	2023	2022	2021	2020	2019
Results (\$'000)					
Revenue	176,722	208,783	191,913	139,088	124,986
Earnings before interest, tax, depreciation and amortisation*	43,594	69,055	75,807	36,775	18,173
(Loss) / profit before tax	(29,245)	42,046	29,198	(23,250)	(43,676)
(Loss) / profit attributable to ordinary shareholders	(14,370)	18,951	(1,500)	(13,604)	(17,814)
Cash generated by operations**	47,174	48,282	64,035	53,579	26,505
Returns per ordinary share					
(Loss) / profit (US cents)	(32.7)	43.1	(3.4)	(31.0)	(43.1)
Dividend (pence)	-	-	-	-	-
Land areas (hectares)***					
Mature oil palm	34,043	35,461	35,665	34,745	33,055
Immature oil palm	1,699	507	351	1,219	3,099
Planted areas	35,742	35,968	36,016	35,964	36,154
Infrastructure and undeveloped	27,875	28,554	28,506	28,558	28,371
Fully titled	63,617	64,522	64,522	64,522	64,525
Subject to completion of title	5,454	10,723	10,723	10,723	15,873
Total	69,071	75,245	75,245	75,245	80,398
FFB Harvested (tonnes)***					
Group	762,260	765,681	738,024	765,821	800,666
Third party	231,823	248,971	210,978	205,544	198,737
Total	994,083	1,014,652	949,002	971,365	999,403
Production (tonnes)***					
Total FFB processed	949,701	981,011	933,120	948,260	979,411
FFB sold	45,032	33,168	18,369	20,058	16,648
CPO	209,994	218,275	209,006	213,536	224,856
Palm kernels	47,324	46,799	44,735	47,186	46,326
CPKO	19,393	18,206	17,361	16,164	15,305
CPO extraction rate****	22.1%	22.3%	22.4%	22.5%	23.0%
Yields (tonnes per mature hectare)***					
FFB	22.4	21.6	20.7	22.0	24.2
CPO	5.0	4.8	4.6	5.1	5.6
CPKO	0.4	0.4	0.4	0.4	0.4
Average exchange rates					
Indonesian rupiah to US dollar	15,219	14,917	14,345	14,570	14,158
US dollar to pounds sterling	1.25	1.23	1.38	1.29	1.28

* see note 7

** see note 38

*** 2019 and 2020 hectareage and FFB reflect certain adjustments for the redesignation of areas to infrastructure, conservation or plasma and reallocations between planting years; 2023 hectareage and FFB reflect changes principally arising from the replanting programme

**** The group cannot separately determine extraction rates for its own FFB and for third party FFB; CPO extraction rate and CPO and CPKO yields are therefore calculated applying uniform extraction rates across all FFB processed

Overview

Highlights**Overview**

- Implementation of several strategic initiatives to streamline the group structure and reduce net indebtedness
- Subscription of further shares in REA Kaltim by the DSN group in March 2024 for estimated consideration of in excess of \$50 million, increasing DSN's investment in the operating sub-group from 15 per cent to 35 per cent
- Potential divestment of CDM based on a value for CDM's business of some \$25 million
- Minority interests in subsidiaries bought out and inactive subsidiaries divested, helping to reduce administrative costs
- Planned simplification of ownership of stone, sand and residual coal interests, including implementation of original agreement with ATP's shareholders to acquire substantial equity participation in ATP

Financial

- Revenue reduced by 15 per cent to \$176.7 million (2022: \$208.8 million) primarily reflecting lower CPO and CPKO prices
- Average selling prices (net of export duty and levy) 13 per cent lower for CPO at \$718 per tonne (2022: \$821) and 37 per cent lower for CPKO at \$749 per tonne (2022: \$1,185)
- Estate operating cost increases below local inflation despite higher fertiliser and workforce expenses
- EBITDA for the year of \$43.6 million (2022: \$69.1 million), encompassing a significant improvement in the second half of \$28.1 million, compared with the first half of \$15.5 million despite lower prices in the second half
- Loss before tax of \$29.2 million (2022: profit before tax of \$42.0 million), following losses on disposals of subsidiaries and similar charges of \$26.0 million
- Group net indebtedness at end 2023 \$178.2 million (2022: \$166.7 million) but contract liabilities (representing pre-sale advances from customers) reduced to \$17.1 million (2022: \$25.9 million)
- All outstanding arrears of preference dividend totalling 11.5p per preference share paid in April 2024

Agricultural operations

- FFB production of 762,260 tonnes (2022: 765,682) on hectareage reduced by some 1,000 hectares due to the replanting programme
- Replanting and extension planting of, respectively, 741 and 491 hectares

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

Stone, sand and coal

- Production of crushed stone at ATP's stone concession commenced and sales now starting
- Licences being finalised for sand mining by MCU and arrangements with contractor agreed
- Coal operations inactive, with intention to withdraw from interest in coal

Environmental, social and governance

- Increased score in the SPOTT assessment by the Zoological Society of London of 88.7 per cent, up from 87.0 per cent (ranked 12th out of 100 companies assessed)
- Arrangements progressing to separate processing of fully certified FFB to permit sales of segregated certified CPO, normally commanding a greater price premium
- Developing projects with smallholders to encourage and improve the sustainable component of the group's supply chain and promote sustainable palm oil production
- New medical centre inaugurated on the estates – awarded the highest level of accreditation by the Indonesian department of health
- Award from the East Kalimantan Province for best management of an area with high conservation value within a plantation designated area in recognition of the group's dedication to conservation

Outlook

- CPO prices firm and expected to remain at remunerative levels as limited availability of land and increasing regulatory restrictions constrain expansion of oil palm hectareage
- ESG initiatives to be channelled into achieving increasing premia for selling certified CPO
- Stone and sand interests to start contributing to group profits with stone also providing a resource for infrastructure in the agricultural operations
- Recent strategic initiatives combined with efficiency savings and reduced financing costs should improve cash flows from core operations and permit further reductions in group net indebtedness whilst the group continues to improve and expand the oil palm operations

Overview

Officers and advisers

Directors

D J Blackett
M Djalil
C E Gysin
J C Oakley
R M Robinow
M A St. Clair-George
R Satar

Secretary and registered office

R.E.A. Services Limited
5th Floor North
Tennyson House
159-165 Great Portland Street
London W1W 5PA

Stockbrokers

Panmure Gordon (UK) Limited
40 Gracechurch Street
London EC3V 0BT

Solicitors

Ashurst LLP
London Fruit & Wool Exchange
1 Duval Square
London E1 6PW

Independent auditor

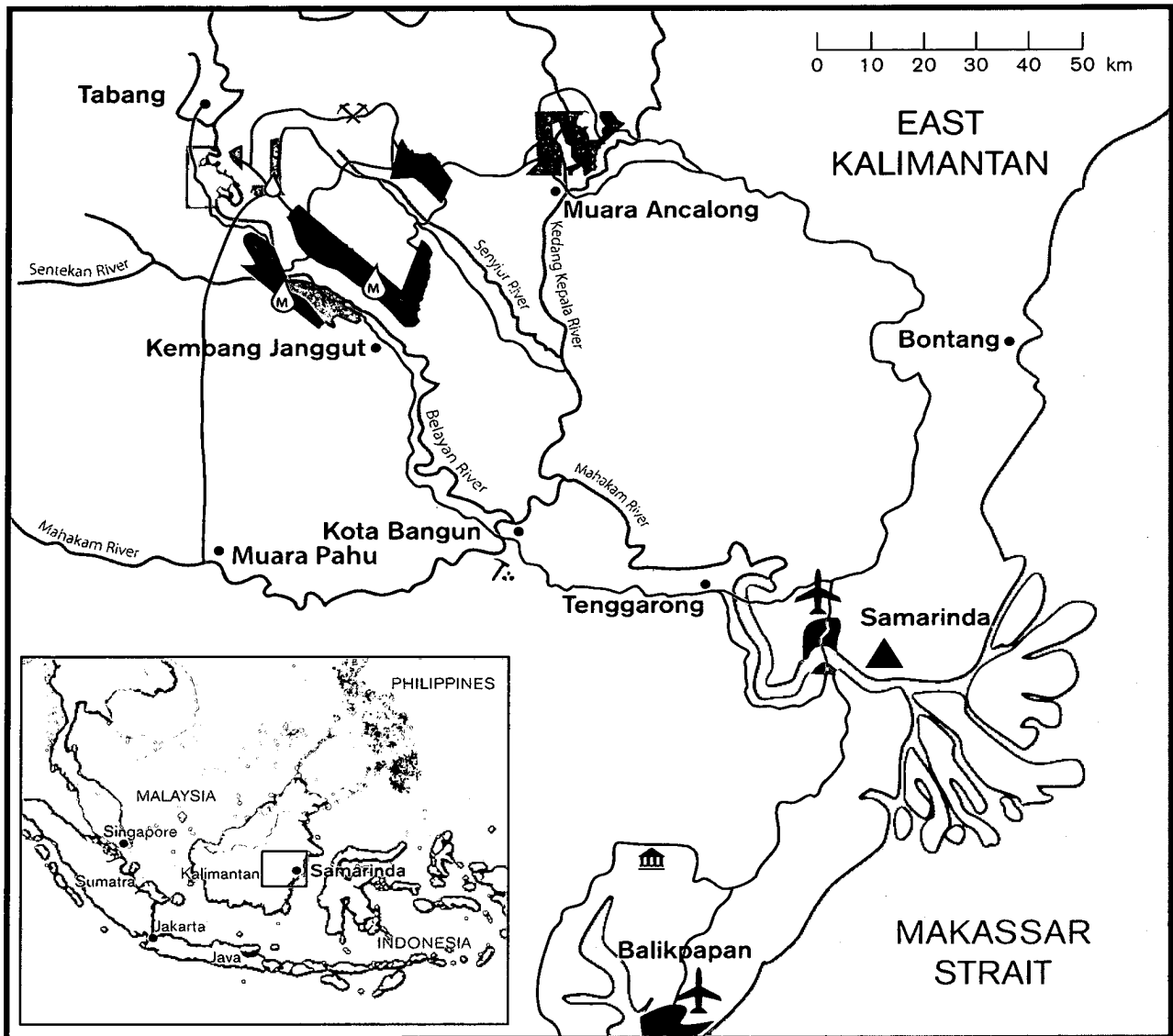
MHA
6th Floor
2 London Wall Place
London EC2Y 5AU

Registrars and transfer office

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Overview

Map



The map provides a plan of the operational areas and of the river and road system by which access is obtained to the main areas.

Key

- M Methane capture plant
- 🏗️ New capital city (IKN) under construction
- ♁ Oil mill
- Road
- ⚡ Sand and coal concessions
- ⚡ Stone concession
- ▲ Tank storage

Companies

- **CDM** PT Cipta Davia Mandiri
- **KMS** PT Kutai Mitra Sejahtera
- **PU** PT Prasetia Utama
- **REA Kaltim** PT REA Kaltim Plantations
- **SYB** PT Sasana Yudha Bhakti

Strategic report

Chairman's statement

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

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

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

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

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

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

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

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

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

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

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

The average selling price for the group's CPO during 2023, including premia for certified oil but net of export duty and levy, adjusted to FOB Samarinda, was \$718 per tonne, 12.6 per cent lower than the average price of \$821 per tonne in 2022. The average selling price for the group's CPKO, on the same basis, was 36.8 per cent lower in 2023 at \$749 per tonne compared with \$1,185 per tonne in 2022.

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

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

Losses on disposals of subsidiaries and similar charges incurred during the year totalled \$26.0 million. Of this amount, \$23.6 million reflected the impairment of the CDM asset now held for sale and the effect of adjusting CDM's assets to their fair value (less costs to sell) in accordance with the terms of the potential sale to the DSN group. The further \$2.4 million arose from the reorganisation of the REA Kaltim sub-group. Other gains and

losses in 2023 included a foreign exchange loss of \$4.2 million compared to a \$14.2 million gain in 2022, principally in relation to sterling and rupiah borrowings, and a \$0.4 million loss on the sale of the dollar notes held in treasury. In 2022 there was a \$0.5 million gain on the extension of the redemption date of the dollar notes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DocuSigned by:

David Blackett

1238529C6924455...

DAVID J BLACKETT

Chairman

Strategic report

Introduction and strategic environment**Introduction**

The company's Strategic report has been prepared to provide holders of the company's shares with information that complements the accompanying financial statements. Such information is intended to help shareholders in understanding the group's business and strategic objectives and thereby assist them in assessing how the directors have performed their duty of promoting the success of the company.

The report contains forward-looking statements. These have been included by the directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution given the uncertainties inherent in any prognosis regarding the future and the economic and business risks to which the group's operations are exposed.

This report has been prepared for the group as a whole and therefore gives emphasis to those matters that are significant to the company and its subsidiaries when taken together. The report comprises the following sections:

- Chairman's statement
- Introduction and strategic environment
- Agricultural operations
- Stone, sand and coal interests
- Environmental, social and governance
- Finance
- Principal risks and uncertainties

This Introduction and strategic environment section of the Strategic report includes details of the group's compliance with section 414CB of the CA 2006 (provision of Non-financial and sustainability information statement), section 172(1) of the CA 2006 and the reporting requirements of TCFD. The Finance section provides explanations regarding amounts disclosed in the financial statements, the group's financial resources and the group's ability to fund its declared strategies.

Non-financial and sustainability information statement

The group has complied with the requirements of section 414CB of the CA 2006 by including certain non-financial information within this report as detailed below:

- (a) The group's business model and resources, its objectives and strategy for achieving these and the market context in which the group operates are discussed in this Introduction and strategic environment section
- (b) Environmental, social and governance below describes the sustainability issues facing the group and, in particular, provides information regarding the following matters (including the relevant policies, the due diligence processes implemented in pursuance of those policies and the resultant outcomes of such policies):

- Environment (including TCFD and SECR)
- Responsible agricultural practices
- Employees
- Respect for human rights
- Anti-corruption and anti-bribery safeguards
- Health and safety
- Communities and smallholders
- Conservation

- (c) The principal risks identified in relation to the matters listed above and considered by the directors to be material or prospectively material are summarised under **Principal risks and uncertainties** below, including, where relevant, a description of the business relationships, products and services that are likely to cause adverse impacts in those areas of risk, and a description of how such risks are managed
- (d) Quantitative indicators (KPIs) that the directors consider relevant to assessment of the group's performance, including non-financial indicators, are described below under **Evaluation of performance** in this Introduction and strategic environment section
- (e) **Agricultural operations, Stone, sand and coal interests and Environmental, social and governance** below offer a detailed review of the current status of, and trends within, the group's activities and the group's plans for their further development and, together with Finance below, provide, where appropriate, references to, and additional explanations of, amounts included in the group's accompanying financial statements.

Business model and resources

The 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 CPO and CPKO. Ancillary to these activities, the group generates renewable energy from its methane capture plants to provide power for its own operations and for sale to local villages via the Indonesian state electricity company, PLN. The group has also made loans to certain Indonesian companies with interests in stone, sand and coal concessions, all of which are located in East Kalimantan.

Detailed descriptions of the group's oil palm and related activities and information regarding the stone, sand and coal concession holding companies are provided under, respectively, **Agricultural operations** and **Stone, sand and coal interests** below.

The group and predecessor businesses have been involved for over one hundred years in the operation of agricultural estates growing a variety of crops in developing countries in South East Asia and elsewhere. Today, the group sees itself as marrying developed world capital and Indonesian opportunity by offering investors in, and lenders to, the company the transparency of a company listed on the LSE while using capital raised by the company (or with the company's support) to develop natural resource based operations in Indonesia

from which the group believes that good returns can be achieved.

The knowledge and expertise gained from the group's long involvement in the plantation industry and experience in Indonesia represent significant intangible resources that underpin the group's credibility. This is important when sourcing capital, working with the Indonesian authorities in relation to project development and recruiting a high calibre experienced management team familiar with Indonesian regulatory processes and social customs and with a firm commitment to sustainable practices and respect for the environment. Other resources important to the group are its established base of operations, large and near contiguous land concessions, and a trained workforce with strong links to the local community.

Subsidiary companies of DSN, an Indonesian natural resources company listed on the Indonesia Stock Exchange in Jakarta, currently have a non-controlling equity interest in REA Kaltim. DSN is engaged in the cultivation of oil palm plantations, the processing of oil palm fruit and the manufacture of wood products, with plantation estates based in East, Central and West Kalimantan. Through its association with DSN, the group benefits from exchanges of information on agronomic and related practices.

Objectives and general strategy

The group's objectives are to provide attractive overall returns to investors in the shares and other securities of the company from the operation and expansion of the group's existing businesses and to foster social and economic progress in the localities of the group's activities, while maintaining high standards of sustainability, respect for the environment and taking into account the impacts of climate change.

CPO and CPKO are primary commodities that are sold at prices determined by world supply and demand and the local regulatory environment. Such prices fluctuate in ways that are difficult to predict and that the group cannot control. The group's operational strategy is therefore to concentrate on minimising unit production costs, without compromising on quality or its objectives as respects sustainable practices, with the expectation that, by optimising efficiencies, the group will have greater resilience to downturns in prices than competitor producers.

The group adopts a two-pronged approach in seeking production cost efficiencies. First, the group strives continually to improve the productivity and efficiency of its established agricultural operations. Secondly, the group aims to capitalise on its available resources by developing its land bank as rapidly as logistical, financial and regulatory constraints permit while utilising the group's existing agricultural management capacity to manage the resultant larger business.

The principal risks and uncertainties inherent in the group's business are set out under **Principal risks and uncertainties** below, including as respects global climate change. Between five and ten per cent of the group's existing plantings are in

areas that are low lying and prone to flooding if not protected by bunding. Were climate change to cause an increase in water levels in the rivers running through the estates, this could be expected to increase the requirement for bunding (subject to environmental considerations) or, if the increase was so extreme that bunding became impossible, could lead to the loss of low lying plantings. Changes to levels and regularity of rainfall and sunlight hours could also adversely affect production. However, climate change impact negatively affecting group production would be likely to similarly affect many other oil palm growers in South East Asia leading to a reduction in CPO and CPKO supply. This would likely result in higher prices for CPO and CPKO which should provide at least some offset against reduced production.

The loans to the stone and coal concession holding companies derive from what were originally plans for the group to diversify in a limited way into stone and coal mining and to acquire majority equity interests in the stone and coal concession holding companies with which the group was establishing relationships. Changes in Indonesian mining regulations for a long time precluded implementation of such original planned equity ownership but recent further changes to those regulations have altered the position.

The directors believe that access to the stone deposits held by the stone concession holding company offers a valuable resource for improving the durability of infrastructure in the group's operations and for sale to neighbouring companies for road building. Moreover, the profits from quarrying such deposits has the potential to make a significant contribution to group profits. Accordingly, the group intends to take advantage of the currently more permissive Indonesian mining regulations and to implement the original agreement under which it has the right to acquire majority ownership of the stone concession holding company, subject to due compliance with Indonesian regulatory requirements.

As respects coal, the group concluded in 2012 that coal mining involved complexities that were not shared by the group's agricultural operations and it has subsequently become clear that long term involvement with coal is incompatible with the group's sustainability objectives. The group's strategy for its involvement with the coal concession holding companies has therefore, for some time, been to maximise the recovery of loans to those companies and to withdraw from involvement with coal. A substantial proportion of such loans were recovered during 2022 and the early months of 2023, when coal prices were high, and the group does not intend to make further loans for coal operations.

Following the identification of quartz sand deposits lying in the overburden within the area held by the principal coal concession holding company, the group, in 2022, concluded agreements with the company holding the rights to mine such sand deposits. The latter company is a separate legal entity from the coal concession holding company in question because sand mining and coal mining in Indonesia are subject to separate licencing arrangements and a coal mining licence does not entitle the holder of such licence to mine sand. Pursuant to its agreements with the sand concession

Strategic report

Introduction and strategic environment

continued

holding company, the group has made loans to finance the pre-production costs of that company. Once the necessary licences have been finalised, the group will acquire a 49 per cent participation in the sand concession holding company, and sand mining can be expected to start providing a useful contribution to group profits.

The group's financial strategy is discussed under **Financing policies** in **Finance** below.

The group recognises that its agricultural operations, of which the total assets at 31 December 2023 represented approximately 90 per cent of the group's total assets and which, in 2023, contributed substantially all of the group's revenue, lie within a single locality and rely on a single crop. This permits significant economies of scale but brings with it some risks. Whilst further diversification would afford the group some offset against these risks, the directors believe that the interests of the group and its shareholders will be best served by focusing on the growth and development of the existing operations. They therefore have no plans for further diversification, save as respects the mining of stone and sand as mentioned above.

Initiatives

Operational challenges in 2012 and the immediately succeeding years resulted in group crops and revenues over the five year period from 2013 to 2017 falling considerably short of the levels that the directors had expected would be achieved. Action taken to overcome these challenges resulted in a recovery in operational performance from 2018 onwards, but borrowings assumed to finance cash flow shortfalls during the five years of under-performance left the group with a legacy of excessive net indebtedness. Recent years have seen some reduction in net indebtedness from the peak reached in 2017, but these reductions still left the group with net indebtedness at a level that the directors regarded as too high, particularly against the background of current interest rates and credit conditions.

To address this problem, in November 2023, the directors reached a conditional agreement with DSN, which through subsidiaries was already a 15 per cent shareholder in REA Kaltim, pursuant to which the DSN group would increase its shareholding in REA Kaltim from 15 per cent to 35 per cent by way of a subscription of further shares. Additionally, in connection with such proposal, it was agreed that (a) the DSN group would be granted a priority right to acquire CDM, the holder of the REA Kaltim group's most outlying estate, and (b) the company would purchase from REA Kaltim 100 per cent of PU, which is the group's new development estate, such that the DSN group would no longer hold an indirect interest, through REA Kaltim, in PU.

The agreement with DSN, the terms of which were set out in detail in a circular to shareholders in January 2024, were approved at a general meeting of shareholders held in February 2024. Closing of the further DSN share subscription, including the financial settlements due on closing, was completed in March 2024. The intra-group sale and purchase of PU was also completed in March 2024 affording the group

the benefit of the whole of any profit that can be realised from the development of PU as a new oil palm plantation.

If DSN does not exercise its priority right to acquire CDM so as to complete purchase of CDM by 30 June 2024, the company will pursue an alternative sale of CDM for which the group has received expressions of interest from unrelated third party buyers. The sale of CDM would relieve the group of the need to fund further significant investment that is required to realise its potential and would permit the continuing group to focus its financial resources and management on its remaining plantings, which the sale of CDM would leave more concentrated within a single geographical area.

While the DSN subscription has diluted the company's interest in REA Kaltim from 85 per cent to 65 per cent, it has provided an immediate and substantial cash injection to the group and permits the group to retain its core operations, while avoiding disruption of the management of those operations.

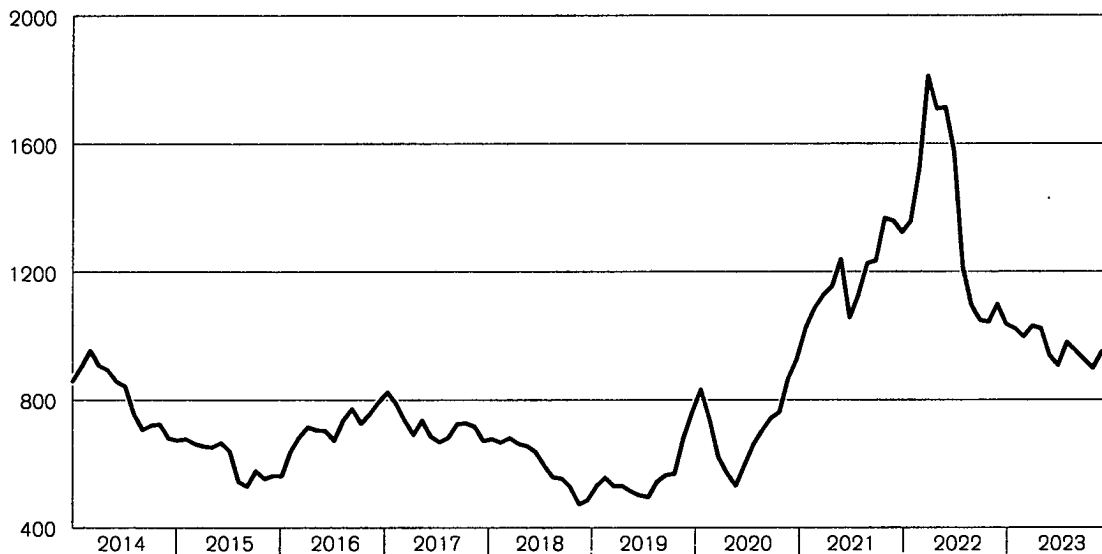
In conjunction with the initiative to reduce debt, during 2023 and January 2024, the group took steps to simplify the structure of the group and thereby reduce administrative costs. The REA Kaltim sub-group acquired the 5 per cent third party interests in its previously 95 per cent held subsidiaries such that these are all now wholly owned by REA Kaltim. Concurrently, KKP and KKS, in the latter case with its subsidiary, PBJ2, were divested. The acquisition of the former 5 per cent third party interests in subsidiaries of REA Kaltim was made possible by a 2021 change in the Indonesian regulations which abolished a previous requirement for 5 per cent local ownership of all Indonesian companies engaged in oil palm cultivation. As respects the divestments, KKP had effectively become dormant, KKS's sole remaining purpose was to act as sub-holding company of PBJ2 and latter was considered better suited to local ownership having proved unable to obtain clean title to its small holding of 77 hectares of oil palms.

Going forward, the directors' strategy for the group will be to derive maximum value from the ancillary interests in stone and sand and to use such extracted value, supplemented by the cash flow from the core oil palm business, further to reduce group net indebtedness while continuing to invest in improvements to and the expansion of the oil palm operations.

The vegetable oil market context

According to Oil World, in the year to 30 September 2023 worldwide production of the 17 major vegetable and animal oils and fats increased by 3.5 per cent to 253.8 million tonnes and consumption increased by 3.7 per cent to 251.1 million tonnes. For the same period, production and consumption of CPO represented, respectively, 81.5 million tonnes and 81.0 million tonnes. Production of the 17 vegetable and animal oils and fats is currently forecast by Oil World to increase by 1.7 per cent in 2024 to 258.1 million tonnes and consumption by 3.2 per cent to 259.1 million tonnes, of which CPO production is projected to account for 81.5 million tonnes and consumption 82.9 million tonnes, representing some 32 per cent of the total.

CPO monthly average price



Vegetable and animal oils and fats have conventionally been used principally for the production of cooking oil, margarine and soap. Consumption of these basic commodities correlates with population growth and, in less developed areas, with per capita incomes and thus economic growth. Demand for vegetable and animal oils and fats for these uses is therefore driven by the increasing world population and economic growth in the key markets of Indonesia, China and India.

The principal competitors of CPO are the oils from the annual oilseed crops, the most significant of which are soybean, oilseed rape and sunflower. Since the oil yield per hectare from oil palms (at up to seven tonnes) is much greater than that of the principal annual oilseeds (less than one tonne), CPO can be produced more economically than the principal competitor oils and this provides CPO with a natural competitive advantage within the vegetable oil and animal fat complex. Within vegetable oil markets, CPO should also continue to benefit from health concerns in relation to trans-fatty acids. Such acids are formed when vegetable oils are artificially hardened by partial hydrogenation. Polyunsaturated oils, such as soybean oil, rape oil and sunflower oil, require partial hydrogenation before they can be used for shortening and other solid fat applications, but CPO does not.

Vegetable and animal oils and fats can also be used to make biofuels and, in particular, biodiesel. In recent years, biofuel has become an increasingly important factor in the vegetable oil markets. According to Oil World, biofuel production in the year to 30 September 2023 accounted for some 20 per cent of global consumption of the 17 major vegetable and animal oils and fats. An increasing element of biofuel use reflects government mandates. In Indonesia, for example, fuel for use in transport and in power stations is, in each case, required to contain a stipulated minimum percentage of biodiesel. As a result, an increasing amount of Indonesian CPO is being converted to biodiesel for internal consumption.

Indonesian export tariffs comprise export duty and export levy. Both are calculated on a sliding scale by reference to a CPO reference price that is set periodically by the Indonesian government on the basis of CIF Rotterdam and other recognised benchmark CPO prices. Export duty is a tax payable to the Indonesian government. Export levy is payable to a dedicated fund that utilises levy income to subsidise the manufacture of biodiesel from CPO, to support other measures designed to benefit the growing of oil palms in Indonesia, such as smallholder replanting, and, more recently, to subsidise the sale of Indonesian cooking oil.

The group sells CPO into the local Indonesian market, sales to which are not subject to export levy or export duty. However, arbitrage between the Indonesian and international CPO markets normally results in a local price that is broadly in line with prevailing international prices after adjustment of the latter for delivery costs and export tariffs and restrictions. Changes to export tariffs and restrictions therefore indirectly affect the prices that the group achieves on sales of its CPO.

A graph of CPO monthly average prices, CIF Rotterdam, for the ten years to 31 December 2023, as derived from prices published by Oil World, is shown above. The monthly average price over the ten years has moved between a high of \$1,813 per tonne and a low of \$473 per tonne. The monthly average price over the ten years as a whole has been \$824 per tonne.

Opening 2023 at \$1,090 per tonne, CIF Rotterdam, CPO prices weakened progressively through the first half of the year to a low of \$855 per tonne in early June 2023. The price then rallied and recovered to a level of \$946 per tonne by the end of 2023 and into the start of 2024. There is an expectation that growth in global production of CPO in 2024 and beyond will be limited. With continuing solid demand for vegetable oils from food and biodiesel producers, the immediate outlook for international CPO prices therefore appears positive. Whilst that should to an extent benefit the local Indonesian CPO price that the group receives, the

Strategic report

Introduction and strategic environment

continued

benefit may be limited by the higher Indonesian export tariffs that, under the current sliding scale, are applicable at higher international prices and appear set to continue.

The Indonesian context

Notwithstanding continuing global economic challenges and increasing geo-political tensions, the Indonesian economy grew by 5.1 per cent in 2023 (2022: 5.3 per cent). The continuing investment in major infrastructure projects, including the new national capital city, Ibu Kota Nusantara (IKN), in East Kalimantan, has been one of the hallmarks of President Joko Widodo's (Jokowi's) second term in office and one of the main drivers of the economy.

The Indonesian government's prudent economic policies limited annual inflation in 2023 to 2.6 per cent (2022: 5.5 per cent), the seventh lowest among the G20 economies, while also containing the fiscal deficit to just 1.7 per cent, compared with the 2.3 per cent recorded in 2022.

The steady exchange rate throughout 2023 from a rate of Rp 15,731 = \$1 at 31 December 2022 to Rp 15,416 = \$1 at 31 December 2023, together with the ability of Bank of Indonesia to hold the increase in its base rate to just 0.25 per cent from 5.75 per cent in January 2023 to 6.00 per cent at the end of December 2023 is a further reflection of the stability of the Indonesian economy.

On 14 February 2024, Indonesia held its sixth fully democratic elections since the former President Soeharto stood down in 1998. The current Minister of Defence, Prabowo Subianto (Presidential candidate), paired with Gibran Rakabuming Raka, the son of current President Jokowi, (Vice Presidential candidate) have been declared the winners, obtaining over 58 per cent of the votes. The second placed candidates attained 25 per cent of the vote. However, this result is being contested by the two losing candidates who have filed allegations of malpractice with the Constitutional Supreme Court. Prabowo Subianto based his election manifesto around maintaining the economic policies delivered by President Jokowi over the last nine years and clearly these were viewed as a resounding success by the majority of voters who hope to see continuing steady economic growth as witnessed during Jokowi's two terms in office.

With uncertainty as to who would succeed President Jokowi as the head of Indonesia's economy now broadly settled, Indonesia is well placed to experience accelerating growth. Growth rates of 6 to 7 per cent or more are needed for Indonesia to achieve its ambition of becoming a high-income or advanced country by 2045.

Section 172(1) statement

All directors recognise their responsibilities to promote the success of the company for its shareholders, other investors, its employees, customers, suppliers and the wider community. Due consideration is given to stakeholders' interests as well as the other matters referred to below when strategic decisions are taken. Further information regarding the chairman and

individual directors and their approach as regards leadership, responsibilities and strategy are set out in the Directors' and Corporate governance reports in the Governance section of this annual report.

As described under Employees and Management in Environmental, social and governance below, the directors are conscious that the group is in essence a guest in Indonesia and that an understanding of local customs and sensitivities is important. To enhance their understanding and better inform their decisions, directors make periodic visits to the group's operations to ensure that they each have a proper understanding of, and learn at first hand about, the day to day issues and challenges for the group. The managing director, who resides in the UK, and the president director of the group's principal operating subsidiary, who resides permanently in Indonesia, hold weekly meetings by conference call on each aspect of the business. The president director submits a monthly report covering key aspects of the group's operations, finance, and ESG matters. The president director presents in person (or by conference call) a detailed report on the operations and proposed projects for discussion and, as required, approval at each regular meeting of the board.

Long term consequences of decisions

As described under Agricultural operations below, the group's activities require continuity. It takes time from the acquisition of land titles to the development of the acquired land, from the planting of oil palm seedlings to the harvesting of FFB, and from contracting for processing mills to producing CPO and CPKO. Accordingly, strategic and operational decisions are based on long term considerations. In particular, such considerations include the impact of the operations on the local community and physical environment, on both of which the group is dependent.

Employees' interests

Employee welfare is central to decisions regarding the interests of the group's employees, particularly given the remote rural location of the group's operations and the fact that most employees live with their families on the group's plantations. The facilities provided and actions taken by the group with regard to the interests of employees are described in detail under Employees and Health and safety in Environmental, social and governance below.

Business relationships with suppliers, customers and others

The group seeks to develop mutually beneficial long term relationships with the group's suppliers, customers and other counterparties based on the policies and internationally recognised certification criteria against which the group is continuously audited and which drive the group's ESG standards and its reputation as a trusted producer of certified CPO and CPKO. Transparency, certification and the group's policy framework are discussed under corresponding headings in Environmental, social and governance below. As described in the Directors' report, there is a regular open dialogue with the group's customers and suppliers.

Impact of the operations on the community and the environment

The impact of the group's operations on, and interaction with, local communities and the environment are described under **Environment, Responsible agricultural practices, Communities and Conservation in Environmental, social and governance** below.

The board acknowledges the importance of climate change and seeks to mitigate the negative impacts of the business on the environment, and the adverse impacts of climate on the group's operations, through its sustainable practices. The KPIs described under **Evaluation of performance** below reflect not only the interests of the group but also the group's broader responsibilities. Matters relating to climate change are discussed under **Taskforce on Climate-related Financial Disclosures** below, under **Streamlined energy and carbon reporting in Environmental, social and governance** below, in **Principal risks and uncertainties** below and under **Climate change in the Directors' report**.

Reputation for high standards of business conduct

The group has a long established framework of policies that embody the standards, values and culture to which it has committed and govern the conduct of its operations. These policies cover NDPE (no deforestation, no peat, no exploitation), business ethics, responsible development, environment and biodiversity conservation, human rights, health and safety, and protection of endangered species and are available for download at www.rea.co.uk/ESG/policies.

Detailed information regarding the group's environmental and social performance is published at www.rea.co.uk/ESG. This information, which is updated regularly through the year, allows the group's ESG criteria to be compared with that of other oil palm growers and allows stakeholders to monitor the group's progress in meeting its sustainability commitments.

The group's history of sustainable operations means that it is well prepared for the requirements of deforestation-free products such as under the EUDR which comes into effect on 30 December 2024.

Acting fairly between members of the company

The directors seek to ensure that, as described in the **Corporate governance report**, there is a regular dialogue with the group's key stakeholders, particularly shareholders, debt investors and employees. Such dialogues are based on a mutual understanding of respective interests. The group encourages key stakeholders to visit the group's operations and to provide feedback to the group which may be brought before the directors.

The directors recognise that holders of the company's preference shares and holders of its ordinary shares have separate interests and take care to ensure that these separate interests are appropriately balanced and that within each class of capital holders are treated equally according to their holdings.

Strategic report

Introduction and strategic environment

continued

Taskforce on Climate-related Financial Disclosures

Following a review of the group's sustainability strategy and practices in 2022, a framework of principles and procedures has been developed to evaluate and address climate-related risks and opportunities relating to the group's business and to the wider community and to monitor the group's response to such risks and opportunities. This group has drawn up actions, priorities and timelines, including climate-related commitments and transition plans towards achieving net zero, that will be subject to regular reassessment and further disclosures in accordance with TCFD recommendations.

In compliance with UK Listing Rule 9.8.6(8)R, the group has included in this annual report climate-related financial disclosures, as respects the group, consistent with the 4 TCFD pillars and 11 recommended disclosures. The table below provides a summary of the group's climate-related financial disclosures, noting which of these disclosures are aligned with the TCFD recommendations.

The group's climate-related financial disclosures comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Governance

Board oversight*	The managing director, the group board and the president director together have oversight of the group's approach and strategies to address the impacts of climate change, as noted under Climate change in the Directors' report and under Management in Environmental, social and governance below. Climate-related matters are reviewed in the monthly operational management reports to directors and these reports, together with quarterly president director's reports, are considered at the regular board meetings, as described in the Corporate governance report below. Specifically, climate-related risks are considered at each regular meeting of the group board and are also reviewed at each regular meeting of the group audit committee.
Role of management in assessing risks and opportunities*	Climate-related matters are discussed monthly at operational management meetings between all department heads in Indonesia, the president director and the managing director. Following the 2022 review of the group's approach to sustainability and climate change, a new role of chief sustainability officer was created and an appointment made with responsibility for focusing on, and overseeing, implementation of, the group's sustainability strategy. The chief sustainability officer reports directly to both the managing director and the president director in Indonesia. The group's CCWG, comprising operational heads in Indonesia, has primary responsibility for identifying, assessing and highlighting environmental and climate-related risks and opportunities across the group's operations and working with the chief sustainability officer to implement strategies to address climate change. The CCWG ensures that critical analysis and proposed actions are formulated for each operational department to address the threats and opportunities that are identified.

Strategy

Climate-related risks and opportunities**	Climate and climate change present specific risks and opportunities for an agricultural group to adapt in its drive to achieve a lower carbon economy. Notwithstanding the uncertainties surrounding climate change, the group has committed to working towards net-zero GHG emissions by 2050. Further information regarding the group's approach to building climate resilience in its operations is set out in Objectives and general strategy above, Evaluation of performance and Principal risks and uncertainties below and Climate change in the Directors' report . Identifying, quantifying and optimising both the risks and opportunities is central to the continuing development of the group's sustainability strategy, as noted above and set out under Policies in Environmental, social and governance below. In assessing the group's viability, the group also considers climate-related risks and opportunities together with their impact on the group's projections over a two to five year time horizon. As noted under Certified sales , the group is preparing to segregate in 2024 a proportion of its supply chain so as to produce oil that will comply with the requirements of EUDR that come into effect for products sold into the EU in 2025.
Impact on business, strategy and financial planning**	Climate change is forecast to introduce increasing variability in rainfall patterns in the humid tropics where the group's operations are based. Intense rainfall brings the threat of seasonal flooding of the group's low-lying estate areas thereby damaging the palms, conservation areas and infrastructure and restricting access. The group is addressing these challenges with several programmes to develop more resilience to volatile weather patterns. The group's annual budget incorporates the costs of all such climate related programmes. As described under Agricultural operations below, these programmes include: taking advantage of the opportunity provided by the current replanting programme to improve drainage and the permeability and water retention capacity of the soils; road-stoning to provide all-weather access across the group's estates; and concluding agreements to use a neighbouring coal company's new haul road as an alternative land route for evacuating produce when river levels restrict barge access to the Belayan River. The group is also exploring additional use of mill organic by-products and extending rainfall capture for both domestic and operational use. Substitution of mill organic by-products for inorganic fertiliser improves soil health and fertility and reduces carbon emissions. Moreover, increased organic matter in soils improves their water-retention capacity and thereby lessens their vulnerability to variations in weather patterns. Rainfall capture reduces expenditure on extracting water from nearby rivers and on the purchase of chemicals for water treatment.

Resilience based scenarios**	<p>The current strategy and practices being developed are intended to build operational resilience in response to existing climate conditions and also to address anticipated climate scenarios as global temperatures increase and weather patterns become more variable.</p> <p>Directors consider the potential impacts, if any, of climate change when considering the group's projections and statements as regards viability and going concern. In 2024 the directors will consider scenario analyses to be performed that take account of the impacts of changing weather patterns, such as excessive rainfall or drought, on the group's financial performance.</p>
------------------------------	---

Risk management

Process for identifying and assessing climate-related risks*	Identification of climate change impacts is the responsibility of the group's operational team lead by the president director in Indonesia. The CCWG documents and, through the chief sustainability officer, submits their findings to the president director for further consideration and assessment with the managing director and, ultimately, the board, after which action is agreed as required.
--	--

Process for managing climate-related risks*	Climate-related matters are considered and addressed in the monthly meetings between operational senior management, which includes conservation and sustainability managers in Indonesia, and in the operational management reports and quarterly president director's reports considered by the board, as described in the Corporate governance report below. The CCWG together with the chief sustainability officer provide targeted and in-depth management oversight aimed at ensuring that agreed actions are implemented in a coordinated approach.
---	--

Integration of risks into overall risk management*	The recent organisational changes (the appointment of the chief sustainability officer and establishment of the CCWG) implemented in 2022 and 2023 are aimed at ensuring that identification and evaluation of climate-related risks are a priority in, and integral to, management of the group's operations as detailed under Climate change in the Directors' report. Progress in reducing GHG emissions and developing practices to address climate-related matters are components of individual managers', as well as corporate, KPIs. At each board meeting, directors consider the likelihood and impact of climate related risks and actions, if any, that may be required to address such risks.
--	---

Metrics and targets

Internal metrics*	The group continues to record climate-related data daily, as well as biodiversity indicators across the operational landscape. Following on from the findings of the sustainability strategy review, the group has signed collaboration agreements with relevant organisations to develop expertise and capacity to record and evaluate performance on a timely basis. These organisations include Rainforest Research Sdn Bhd on behalf of SEARRP, a Malaysian based research organisation engaged in programmes to address environmental issues in the tropics and, specifically, in fragmented oil palm landscapes across South East Asia. The group has also signed up to the SBTi net-zero standard which, inter alia, involves setting verified short, medium and long term targets for decarbonisation within 24 months of joining the programme. The group is currently engaged in formulating those science-based targets which must be submitted to SBTi for external verification by February 2025.
-------------------	--

GHG emissions**	As explained under Streamlined energy and carbon reporting in Environmental, social and governance below, for over ten years the group has been monitoring and reporting its carbon footprint using the PalmGHG tool that is mandatory for RSPO members. Going forward, the group intends to adopt the now widely accepted international GHG Corporate Standard for calculating and reporting the group's GHG emissions although the PalmGHG tool may continue to be used for the purposes of certification schemes for palm oil. Details of global gross and net emissions (Scope 1, 2 and partial Scope 3) are set out in the SECR table.
-----------------	---

Targets**	As noted above, the group has recently signed up to the SBTi net-zero standard and is currently engaged in formulating short, medium and long term science based targets which must be submitted to SBTi for external verification by February 2025.
-----------	--

The group's performance as respects reducing GHG and managing water usage are discussed in Environmental, social and governance below. Gross GHG emissions associated with the group's oil palm operations were overall 1.6 per cent lower in 2023 compared with 2022. The group is targeting a reduction of 8 per cent in gross GHG emissions over the period 2023 to 2025. Water usage at 1.6m³ per tonne in 2023 of FFB remained below the group's target consumption of 2.5m³ per tonne of FFB, and well within industry standards, despite a small increase compared with 2022 due to the higher domestic water consumption associated with the provision of additional housing and related facilities.

* Aligned with TCFD recommended disclosures

** Not yet fully aligned with TCFD recommended disclosures

Strategic report

Introduction and strategic environment

continued

Evaluation of performance

In seeking to meet its expansion, efficiency and sustainability objectives, the group sets operating standards and targets for most aspects of its activities and regularly monitors performance against those standards and targets. For many aspects of the group's activities, there is no single standard or target that, in isolation from other standards and targets, can be taken as providing an accurate continuing indicator of progress. In these cases, a collection of measures has to be evaluated and a qualitative conclusion reached.

The directors do, however, rely on regular reporting of certain KPIs that are comparable from one year to the next, in addition to monitoring the key components of the group's profit and loss account and balance sheet. These performance indicators are summarised in the table below.

Quantifications of the indicators for 2023 with, where available, comparative figures for 2022 are provided in the succeeding sections of this report, with each category of indicators being covered in the corresponding section of the report.

KPI	Measurement	Purpose
Agricultural operations		
FFB crop harvested	The weight in tonnes of FFB delivered to oil mills from the group's estates during the applicable period	To measure field efficiency and assess the extent to which the group is achieving its objective of maximising output from its operations
FFB yield per mature hectare	The FFB crop harvested (as defined above) divided by the hectareage of the mature area	To measure field productivity and harvesting efficiency and assess the extent to which the group is achieving its objective of maximising output from its existing plantings
CPO extraction rate achieved	The percentage by weight of CPO extracted from FFB processed	To measure harvesting and mill efficiency and assess the extent to which the group is achieving its objective of maximising output from its operations
Palm kernel extraction rate achieved	The percentage by weight of palm kernels extracted from FFB processed	To measure harvesting and mill efficiency and assess the extent to which the group is achieving its objective of maximising output from its operations
CPKO extraction rate achieved	The percentage by weight of CPKO extracted from palm kernels crushed	To measure mill efficiency and assess the extent to which the group is achieving its objective of maximising output from its operations
New extension area planted	The area in hectares of new land planted out during the applicable period	To measure performance against the group's expansion objective
Stone and sand interests		
Stone or sand produced	The weight in tonnes of stone or sand extracted from each applicable concession during the applicable period	To measure production efficiency and assess the extent to which these interests are achieving the objective of maximising output from operations
Environmental, social and governance		
Work related fatalities	Number of work related fatalities during the applicable period	To measure the efficacy of the group's health and safety policies
Smallholder percentage	The area of associated smallholder plantings expressed as a percentage of the planted area of the group's estates	To measure performance against the group's smallholder expansion objective
GHG emissions per tonne of CPO and per planted hectare	Emissions measured in tonnes of CO ₂ equivalent divided, respectively, by the weight of CPO extracted from FFB processed and by the number of group planted hectares supplying the group's mills	To measure the group's GHG emission efficiency
Finance		
Net debt to total equity	Borrowings and other indebtedness (other than intra group indebtedness) less cash and cash equivalents expressed as a percentage of total equity	To assess the risks of the group's capital structure

Strategic report

Agricultural operations**Structure**

All of the group's agricultural operations are located in East Kalimantan and have been established pursuant to an understanding dating from 1991 whereby the East Kalimantan authorities undertook to support the group in acquiring, for its own account and in cooperation with local interests, substantial areas of land in East Kalimantan for planting with oil palms.

The group's land areas, the first of which was acquired in 1991 and planted in 1994, were, at 31 December 2023, owned by the group's principal operating subsidiary, REA Kaltim (which was at that date 85 per cent owned by a group company), together with REA Kaltim's then owned subsidiaries. The diagram below shows the ownership structure of the REA Kaltim sub-group at 31 December 2023.

As explained under Initiatives in the Introduction and strategic environment section of this Strategic report, the above structure reflected a 2023 group reorganisation, designed to simplify the group and reduce administrative costs. As also explained and detailed under Initiatives, in March 2024, the group's ownership of REA Kaltim reduced from 85 per cent to 65 per cent and the ownership of PU was transferred from REA Kaltim to a wholly owned UK subsidiary of the company. Further, it is planned that CDM will be divested during 2024.

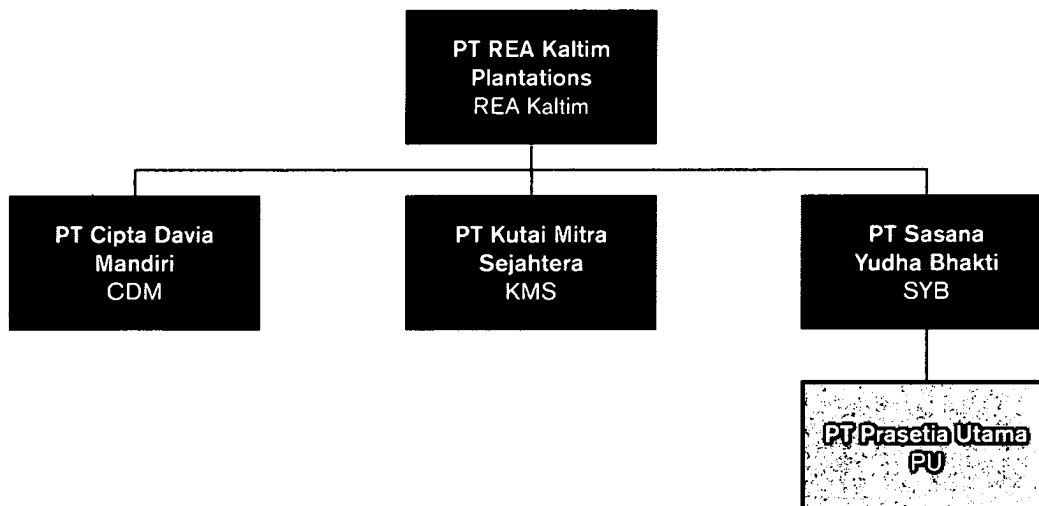
Land areas

The group's operations are located some 140 kilometres north-west of Samarinda, the capital of East Kalimantan, and lie either side of the Belayan River, a tributary of the Mahakam, one of the major river systems of South East Asia. The SYB areas are contiguous with the REA Kaltim areas and together these form a single site falling within the Kutai Kartanegara regency of East Kalimantan. The CDM and KMS areas are located in close proximity of each other in the East Kutai regency of East Kalimantan. KMS lies less than 30 kilometres to the east of the REA Kaltim areas whereas CDM lies some 70 kilometres north-west of the REA Kaltim administrative centre. Land held by PU is adjacent to the land areas held by REA Kaltim and SYB.

For some years, the REA Kaltim estates and adjacent areas were most readily accessed by river but, in 2015, a road was constructed between Tabang (a town to the north of the REA Kaltim estates) and Kota Bangun connecting via a bridge over the Mahakam River with an existing road from Kota Bangun to Samarinda. This road passes through the REA Kaltim estates and provides the group with alternative transport options which are of particular value when excessively dry periods limit river access to the estates. A bridge across the Senyuir River links REA Kaltim with the KMS and CDM areas.

In July 2023 a hauling road was commissioned by a local coal company that starts to the north of the PU estate, crosses the Belayan River by way of a newly constructed bridge and then, by agreement, passes through the group's estates and runs on to the Mahakam River. The new bridge over the Belayan is already helpful to the group in transporting produce and other items between the group estates that lie to each side of that river. The hauling road will provide the group with a valuable alternative land route for evacuating its produce at times when river access to the estates is limited as well as potentially providing access to a loading point on the Mahakam River that can accommodate larger barges which can then be loaded at the group's existing estate loading points.

REA Kaltim sub-group as at 31 December 2023



Strategic report

Agricultural operations

continued

Although the 1991 understanding established a basis for the provision of land for development by, or in cooperation with, the group, all applications to develop previously undeveloped land areas must be agreed by the Indonesian Ministry of Forestry and have to go through a titling and permit process. This process begins with the grant of an allocation of Indonesian state land by the Indonesian local authority responsible for administering the land area to which the allocation relates (an *Izin Lokasi*). Allocations are normally valid for periods of between one and three years but may be extended if steps have been taken to obtain full titles.

After a land allocation has been obtained (either by direct grant from the applicable local authority or by acquisition from the original recipient of the allocation or a previous assignee), the progression to full title involves environmental and other assessments to delineate those areas within the allocation that are suitable for development, settlement of compensation claims from local communities and other necessary legal procedures that vary from case to case. The titling process is then completed by a cadastral survey (during which boundary markers are inserted) and the issue of a formal registered land title certificate (a *Hak Guna Usaha* or HGU). Separately, central government and local authority permits are required for the development of land. Renewal of the group's earliest HGUs that were approaching the end of their initial validity period in the next few years was successfully concluded in 2023.

The group's fully titled agricultural land, at 31 December 2023, totalled 63,617 hectares. Included within this area are 9,097 hectares of fully titled land areas pertaining to PU, which are located on the southern side of the Belayan River opposite the SYB northern areas and linked by a government road to the southern REA Kaltim areas. The transfer of shares in PU to the group was completed in 2017 pursuant to exchange arrangements agreed in 2015 with APT. During 2023, these exchange arrangements were satisfactorily concluded and the agreed transfer to APT of 3,554 hectares of fully titled SYB land that had been the subject of overlapping mineral rights held by APT was completed.

In addition to its fully titled agricultural land, at 31 December 2023, the group held land allocations in CDM of 5,454 hectares representing land that was originally zoned for use under the Indonesian transmigration scheme and held by CDM pursuant to a former licence (which is currently under renewal) issued by the Indonesian Ministry of Transmigration. This area has been designated for transfer to a village cooperative scheme in satisfaction of CDM's obligation, under Indonesian government regulations, to develop oil palm plantings for cooperative ownership by local communities affected by CDM's development of its own oil palm plantings.

Details of the land areas held by the group as at 31 December 2023 are set out below:

Land areas	Hectares
Fully titled land	
CDM	9,784
KMS	7,321
PU	9,097
REA Kaltim	29,442
SYB	7,973
	63,617
Land subject to completion of titling	
CDM	5,454

Areas the subject of land allocations may be reduced on renewal of allocations and further reduced on full titling, or renewal of full titles, when land the subject of conflicting claims or reallocated for smallholder cooperatives may be excluded. The 2023 renewal of HGU land titles resulted in an adjustment of some 664 hectares to REA Kaltim's titled area.

Not all areas in respect of which full HGU titles are issued can be planted with oil palms. Some land may be unsuitable for planting, HCV areas must not be developed, and some land will be required for roads, buildings and other infrastructural facilities. The directors believe that currently unplanted fully titled land and existing land allocations, augmented by some potentially available adjacent plots, should permit extension of the group's existing oil palm plantings by up to a further 10,000 hectares.

With land prices rising, increasing interest in plantation development and sustainability obligations severely restricting land development, plantable land is much less available than was the case in 1991 when the group was first established in East Kalimantan. Moreover, the Indonesian government now applies a "use it or lose it" policy to land. Pursuant to this policy, land allocations and titles may be rescinded if the land concerned is not utilised within a reasonable period for the purposes for which it was allocated. The group must therefore manage its land bank carefully to ensure that it can demonstrate clear plans for the utilisation of its undeveloped land holdings, subject to the group's environmental policies and sustainability obligations. The group does not believe that any land now intended for further expansion is likely to be lost as a consequence of this government policy.

Land development

Areas planted as at 31 December 2023 amounted in total to 35,742 hectares, of which mature plantings comprised 34,043 hectares having a weighted average age of 18.0 years.

The breakdown by planting year of the total of 35,742 hectares planted is shown below:

Planted areas*	Hectares
Mature areas	
1994	193
1995	1,690
1996	1,989
1997	2,305
1998	4,333
1999	351
2000	874
2004	3,190
2005	2,280
2006	3,361
2007	3,446
2008	936
2009	124
2010	1,214
2011	639
2012	1,944
2013	1,814
2014	299
2015	61
2016	1,858
2017	931
2018	211
2019	–
	34,043
Immature areas	
2020	–
2021	140
2022	327
2023	1,232
	1,699
	35,742

* Planted areas that complete a planned planting programme for a particular year but are planted in the early months of the succeeding year are normally allocated to the planting year for which they were planned

Replanting and extension planting continued through 2023. 741 hectares of mature oil palms dating from 1994 to 1998 were replanted and 491 hectares within PU were planted out. An additional 286 hectares were also prepared for planting and replanting at the start of 2024. Other changes to planted areas are accounted for as follows: 59 hectares of 1997 plantings being re-allocated to a nursery to provide seedlings for the replanting programme; 77 hectares of 2017 plantings reduced by the divestment of PBJ2 as explained under Initiatives in the Introduction and strategic environment section of this Strategic report; and 280 hectares of 2011

plantings transferred from the group's Satria estate to the coal company that has constructed the road through that estate and down to the Mahakam River as described under Land areas above.

Within the total planted areas are 4,193 hectares of plantings in CDM, the subject of a potential sale as explained under Initiatives in the Introduction and strategic environment section of this Strategic report.

Extension planting in areas adjacent to the existing developed areas offers the prospect of good returns. It remains the policy of the directors to continue the group's extension planting programme within the framework of the group's sustainability criteria, and when funding so permits, so that, over time, all suitable undeveloped land available to the group (other than areas set aside by the group for conservation) will be planted with oil palms. As previously acknowledged, such expansion involves a series of discrete annual decisions as to the area to be planted in each forthcoming year and the rate of planting may be accelerated or scaled back in the light of prevailing circumstances. Subject to availability of funding, the group aims, during 2024, to replant a further 1,345 hectares of oil palms and to extend its planted areas by establishing 1,000 hectares of additional oil palm plantings at the PU estate.

The group sizes its nurseries to ensure availability of seedlings to meet the group's planned replanting and extension planting programmes, as well as the further requirement for resupply of recently banded areas.

Processing and transport facilities

The group operates three oil mills, POM, COM and SOM, in which the FFB crops harvested from the mature oil palm areas are processed into CPO and palm kernels. POM and COM date from 1998 and 2006 respectively and each is designed to have an effective processing capacity of 80 tonnes per hour. SOM, operating since 2012, initially had a capacity of 45 tonnes per hour but an extension completed in 2023 has doubled its capacity.

Following the substantial investment over the past few years in the expansion of SOM and in the renovation of POM and COM, all three mills are operating with good reliability and maximising throughput. Processing capacity should remain ample for some time for the group's own FFB crops and for the volume of FFB expected to be purchased from third parties. The mills will continue to require regular replacement and upgrading of mill machinery, but having two boilers in each mill providing resilience and facilitating downtime for this ongoing programme means that the annual investment entailed should now stabilise at a lower level than was needed for the expansion and renovation.

With the sufficiency of processing capacity, the group is now developing its plans for the separation of processing of fully certified FFB from processing of other FFB. This should permit the sale of the CPO produced from the fully certified FFB as segregated certified CPO which normally commands a price premium.

Strategic report

Agricultural operations

continued

COM and SOM incorporate, within their overall facilities, palm kernel crushing plants in which palm kernels are further processed to extract the CPKO that the palm kernels contain. Each kernel crushing plant has a nominal design capacity of 150 tonnes of kernels per day. The installed capacity is sufficient to process current kernel output from the group's three oil mills.

A fleet of river barges for transporting CPO and CPKO is used in conjunction with tank storage adjacent to the oil mills and a transshipment terminal owned by the group downstream of the port of Samarinda. The core river barge fleet, which is operated under time charter arrangements to ensure compliance with current Indonesian cabotage regulations, comprises a number of small vessels, ranging between 750 and 2,000 tonnes. These barges are used for transporting CPO and CPKO from the estates to the transshipment terminal for bulking and then either loading to buyers' own vessels on an FOB basis or for loading to a 4,000 tonne seagoing barge. The seagoing barge, also operated under a time charter arrangement, makes deliveries to customers on a CIF basis in other parts of Indonesia. On occasion, the group also spot charters additional barges for shipments and to provide temporary storage if required.

The current river route downstream from the mature estates follows the Belayan River to Kota Bangun (where the Belayan joins the Mahakam River), and then the Mahakam through Tenggarong, the capital of the Kutai Kartanegara regency, to Samarinda, the East Kalimantan provincial capital, and ultimately through the Mahakam delta into the Makassar Straits.

During periods of lower rainfall (which normally occur for short periods during the drier months of May to August of each year), river levels on the upper part of the Belayan become more volatile. CPO and CPKO must then be transferred by road from the mills to a point some 70 kilometres downstream at Pendamaran where the group has established a permanent loading facility and where the year round loading of barges of up to 2,500 tonnes is possible. The group uses a combination of its own fleet of trucks and contractors' trucks to transport CPO and CPKO from the oil mills either to the usual loading points on the upper reaches of the Belayan River or to the downstream loading point at Pendamaran.

The new road through the group's Satria estate and on to the Mahakam River should, as discussed under Land areas above, provide an alternative option for transport by land, with CPO and CPKO being trucked from the group's oil mills down to a loading point on the Mahakam where larger vessels could be loaded.

Flexibility of delivery options is helpful to the group in its efforts to minimise CPO and CPKO stocks and optimise the net prices, FOB port of Samarinda, that it is able to realise for its produce. Moreover, the group's ability to deliver CPO on a CIF basis, buyer's port, allows the group to make sales without exposure to the collection delays sometimes experienced with FOB buyers of larger shipments. The majority of CPO sales are currently made CIF to an Indonesian refinery in

Balikpapan, East Kalimantan, which can be easily accessed from the group's bulking terminal on the Mahakam River.

The group's bulking terminal houses two sets of unloading pipelines for CPO which facilitate short unloading times for the fleet of river barges. There is also one loading pipeline for loading CPO to the 4,000 tonne seagoing barge. In conjunction with plans to segregate processing for fully certified FFB, the group aims to complete during 2024 a further set of unloading and loading pipelines within the bulking terminal that will allow for the segregation of fully certified CPO.

Crops and extraction rates

Key agricultural statistics for the year to 31 December 2023 (with comparative figures for the corresponding period of 2022) were as follows:

	2023	2022
FFB harvested (tonnes)		
Group	762,260	765,681
Third party	231,823	248,971
Total	994,083	1,014,652
Production (tonnes)		
Total FFB processed	949,701	981,011
FFB sold	45,032	33,168
CPO	209,994	218,275
Palm kernels	47,324	46,799
CPKO	19,393	18,206
Extraction rates (per cent)		
CPO	22.1	22.3
Palm kernels	5.0	4.8
CPKO*	40.2	39.7
Rainfall (mm)		
Average across the estates	3,225	3,837

* Based on kernels processed

Group FFB production for 2023 was broadly in line with 2022, notwithstanding the reduction in the group's mature hectareage as a result of older mature areas being cleared for replanting. As is normal, crops were weighted to the second half although, unusually, there was no pronounced peak in the fourth quarter. This was likely a consequence of a period of lower rainfall that, while typically occurring each year, fell later than usual in 2023.

After some reduction in purchases of third party fruit during the initial months of 2023, the group adjusted the prices and terms that it was offering for such fruit and purchases then returned to satisfactory levels.

The CPO extraction rate for the second half of 2023, at 22.3 per cent, showed a welcome improvement over the rate of 21.9 per cent achieved in the first half. The improvement is attributed to tighter field disciplines, with focus on regularity of harvesting, recovery of loose fruit and prompt collection of harvested FFB producing better results. Oil losses in the group's mills have been at comfortably below industry standards for some time.

The group's own FFB crop for the first quarter of 2024 at 167,265 tonnes was in line with the 168,219 tonnes harvested during the same period in 2023, based on reduced hectareage due to replanting in the mature areas. Third party FFB amounted to 49,428 tonnes against 42,962 tonnes for 2023. The CPO extraction rate for the quarter averaged 22.3 per cent against the 22.1 per cent rate for the same period in 2023.

The rolling out of various new initiatives, including mechanisation of certain field operations, improvements to infrastructure and reorganisation and upskilling of field management, should support improvements to production and extraction rates in 2024.

Revenues

During 2023, all of the group's CPO and CPKO was sold in the local Indonesian market, reflecting continuing good demand from easily accessible local refiners. The group has established relationships with each of the four main refineries now operating locally. Competition between these refineries ensures that prices achieved are competitive.

CPO and CPKO sales are made on contract terms that are comprehensive and standard for each of the markets into which the group sells. The group therefore has no current need to develop its own terms of dealing with customers. CPO and CPKO are widely traded and the group does not therefore see the concentration of its sales on a small number of customers as a significant risk. Were there to be problems with any one customer, the group could readily arrange for sales to be made further afield and, whilst this could result in additional delivery costs, the overall impact would not be material.

Whilst the group has never ruled out making forward sales at fixed prices, the fact that export levy and export duty are levied on prices prevailing at date of delivery, not on prices realised, acts as a disincentive to making forward fixed price sales. This is because a rise in CPO prices prior to delivery of fixed price forward sales will mean that the group will not only forego the benefit of a higher price but may also pay export levy and duty on, and at rates calculated by reference to, a higher price than it has obtained. No deliveries were made against forward fixed price sales of CPO or CPKO during 2023 and the group currently has no sales outstanding on this basis. The group's sales are for the most part priced approximately four weeks ahead of delivery. This means that there is a lag of four weeks in the impact on the group of price movements in the CPO and CPKO markets.

Arrangements with the group's customers for the provision of funding in exchange for forward commitments of CPO and CPKO, on the basis that pricing is fixed at the time of shipment by reference to prevailing prices, have been extended into 2025, with buyers continuing to seek secure oil supplies. The average selling price for the group's CPO for 2023, including premia for oil with certified sustainability credentials, net of export duty and levy, adjusted to FOB Samarinda, was \$718 per tonne (2022: \$821 per tonne). The average selling price for the group's CPKO, on the same basis, was \$749 per tonne (2022: \$1,185 per tonne).

Operating efficiency

The group's costs principally comprise: direct costs of harvesting, processing and despatch; direct costs of upkeep of mature areas; estate and central overheads in Indonesia; the overheads of the UK head office and the Netherlands subsidiary; and financing costs. The group's strategy, in seeking to minimise unit costs of production, includes maximising yields per hectare and seeking efficiencies in overall costs.

The group's operations lie in an area where average rainfall levels are high. The group endeavours to capitalise on this advantage by striving to achieve economic efficiencies and best agricultural practice. In particular, careful attention is given to ensuring that new oil palm areas are planted with high quality seed from proven seed gardens and that all oil palm areas receive appropriate husbandry.

Methane from the group's two methane capture plants, which were commissioned in 2012, drives seven generators each of one megawatt capacity. Four megawatts of generating capacity provide power for the group's own use which has enabled the group to achieve material savings in energy costs as consumption of diesel oil for electricity has been largely eliminated on the REA Kaltim and SYB estates. Three megawatts of generating capacity supply power to villages and sub-villages surrounding the group's estates by way of the local grid owned by the Indonesian state electricity company, PLN.

Payment for the power sold through PLN is made at fixed rates negotiated periodically with PLN having regard to Indonesian government regulations for the pricing of green electricity. Revenue from electricity sales to PLN amounted to some \$594,000 in 2023, compared with \$866,000 in 2022, as there was less electricity available for use externally.

In addition to reducing energy costs and generating additional revenues, the two methane capture facilities have substantially reduced the group's GHG emissions. The mooted construction of a third methane capture plant at SOM, with a view to producing biogas for power generation at SOM and for upgrading to compressed biomethane gas to replace diesel used by the group's vehicle fleet, remains on hold pending completion of more immediately pressing capital expenditure projects.

Strategic report

Agricultural operations

continued

Other cost saving initiatives that have been implemented by the group in recent years include measures to reduce the use of pesticides, in-house production of harvester bridges, manufacture of *batako* bricks for housing using a mixture of cement and boiler ash from the mills, fabrication of spare parts for mill repairs and switching to using compound fertiliser, in place of separate applications of the various component inputs, to reduce the labour requirement for fertiliser application.

The opening of the andesite quarry (discussed under **Stone, sand and coal** interests below) will allow the group to press ahead with its plans progressively to build a stone base to all the group's roads so as to convert these into all-weather roads and thereby improve logistical efficiency and reduce operating costs, particularly during periods of heavy rainfall.

Strategic report

Stone, sand and coal interests**Concessions**

The group has made loans to certain Indonesian companies with interests in stone and sand deposits and coal mining concessions, all of which are located in East Kalimantan.

The stone concession is held by ATP and is located some 15 kilometres to the north-west of SYB's northern-most plantation. It comprises substantial deposits of high grade andesite stone. Access to this stone offers a valuable resource for improving the durability of infrastructure in the group's operations and for sale to neighbouring companies for road building. Moreover, the returns from quarrying such deposits has the potential to make a significant contribution to group profits.

The coal mining concessions comprise the remains of what was a high calorific value coal deposit near Kota Bangun (held by IPA) and the lower grade Liburdinding concession (held by PSS) in the southern part of East Kalimantan.

The sand concession is held by MCU and comprises quartz sand deposits within the IPA coal concession area, in part within the overburden overlaying the remaining coal deposits. Although this sand lies physically within the same area as the IPA coal, MCU is a separate legal entity from IPA because sand and coal mining in Indonesia are subject to separate licencing arrangements and a coal mining licence does not entitle the holder of such licence to mine sand.

Structure

The andesite stone and the two coal mining concessions are, at the moment, wholly owned by the group's local partners. The group's involvement with these concessions derives from what were originally plans for the group to diversify in a limited way into coal mining and stone quarrying. Pursuant to the arrangements originally agreed, the group had the right, subject to satisfaction of certain conditions (the applicable conditions), to acquire 95 per cent ownership of the concession holding companies at the local partners' original cost. Pending satisfaction of such conditions, the group agreed to make available loan funding to the concession holding companies on terms such that no dividends or other distributions or payments could be paid or made by the companies concerned to the local partners without the prior agreement of the group.

Changes in Indonesian mining regulations that occurred prior to satisfaction of the applicable conditions has hitherto precluded implementation of the original planned equity ownership. Pending a resolution of this problem, the concession holding companies have not been consolidated but the group has continued to provide loan funding to the concession holding companies. Recent further changes to Indonesian mining regulations have altered the position. The group now intends to take advantage of the currently more permissive mining regulations and to implement the original agreement under which it has the right to acquire a substantial equity participation in the stone concession holding company (ATP), subject to due compliance with Indonesian regulatory requirements.

As respects coal, plans to develop the Liburdinding concession have been thwarted by the lack of commercial viability of the lower grade coal in Liburdinding and attempts to sell PSS have been unsuccessful, notwithstanding some expressions of interest in recent years. The group therefore intends to withdraw from further involvement with PSS. ATP has guaranteed repayment of the company loans to both IPA and PSS and the company will look to ATP for recovery of its outstanding loan to PSS.

The Kota Bangun coal concession has been largely mined out and the company loans to IPA were substantially repaid during 2022 and the early months of 2023 when coal prices were high. Further mining of IPA is currently uneconomic. However, given that IPA and MCU have concessions within the same physical area, the group believes that splitting ultimate ownership of the two companies would be likely to create conflicting interests and operational challenges. Accordingly, the group has agreed that MCU should take over and retain ownership of IPA (which is currently owned by ATP). It is the group's intention to withdraw completely from coal mining but retention of IPA by MCU may provide the opportunity to recover some further value from IPA should coal prices return to higher levels or the mining of sand in the overburden above the limited remaining coal seams reduce the applicable stripping ratio and improve the economic potential of the residual coal.

In 2022, the group, through its wholly owned subsidiary, KCC, concluded joint venture agreements with the shareholders in MCU. Once MCU has formally acquired all of the substantive licences required for mining its quartz sand deposits, KCC will proceed to subscribe a 49 per cent interest in the enlarged share capital of MCU. Certain regulatory changes at the end of 2023 have led to some delays in securing the requisite licences but it is hoped that such licences can be finalised in the near future. In the meanwhile, the group is making loans to MCU to finance pre-production costs so as to permit a rapid start to mining once the necessary licences are in place.

ATP and IPA have appointed the company's 95 per cent subsidiary, KCCRI, to act as their marketing agent in connection with the sale of their stone and coal production and have agreed to pay KCCRI appropriate sales related commissions for this service. It is planned that KCCRI will similarly act as marketing agent for MCU's sand production.

Operating activities – stone

Good progress was made during 2023 with plans for quarrying the ATP stone concession. After an extended period of wet weather delayed mobilisation, the two stone crushers purchased by ATP reached the quarry site towards the end of the year and production of crushed stone commenced. The initial output is being utilised to surface the quarry ends of two roads leading from the quarry to REA Kaltim's estates. These roads (of which one leads east and then south and the other west and then south) pass through a number of mining and forestry concession areas. Easements have been agreed with the holders of the relevant concessions for use of the eastern road for trucking stone and further easements are close to finalisation for use of the western road for the same purpose.

Strategic report

Stone, sand and coal interests

continued

The eastern and western roads will permit delivery of crushed stone to potential customers in the vicinity. Memoranda of understanding have been agreed with several potential customers regarding their prospective offtake of stone and commercial sales of stone are now starting. Negotiations are at an advanced stage for a long term supply agreement with one of such customers. It is also intended that ATP will supply stone for the group's infrastructure projects, such as building all-weather roads, in the group's agricultural operations.

Local civil works for government projects in East Kalimantan, such as the new Indonesian capital, are also likely to require substantial quantities of crushed stone with construction works having commenced and certain government buildings due to be completed in 2024.

Operating activities – coal

IPA's appointed contractor commenced coal mining in 2021 and continued through 2022 into the early months of 2023. However, prices for the semi-soft and high calorie thermal coal that was being mined at IPA fell substantially between April and June 2023 and mining operations were suspended from July 2023. When market conditions permitted, IPA continued to sell stockpiled coal during 2023 and will continue doing so until all stockpiled coal has been sold. Whilst IPA's appointed contractor retains the ability to resume mining, under current conditions, as already noted above, such mining would be uneconomic.

Coal mined at IPA is evacuated through an established and nearby loading point on the Mahakam River which was acquired some years ago by IPA. Small volumes of third party coal continue to be shipped through the loading point with IPA charging a volume based fee for loading third party coal.

Operating activities – sand

IPA's coal mining contractor has been appointed by MCU to mine the MCU sand on terms similar to those that applied to the contractor's mining of coal at IPA. Pursuant to such terms, the contractor will, once the required mining licences have been finalised, fund all necessary expenditure on infrastructure, land compensation and mobilisation (such expenditure to be reimbursed on an agreed basis from the proceeds of future sand sales) and the profit contribution from MCU sand sales (representing the excess of the net proceeds of such sales over the direct costs) will be shared between MCU and the contractor in the approximate proportion 70:30.

MCU is currently discussing volumes and prices for sand offtake with prospective customers. Concurrently, the contractor is establishing a sand loading point on the Mahakam River which is required because the risk of coal dust contamination means that the coal loading point used by IPA is not suitable for loading sand. The contractor is also arranging the installation of a sand washing plant which will be needed once MCU's sand production approaches the volumes currently planned.

Strategic report

Environmental, social and governance

The group has committed to ensuring that its ESG strategy can contribute positively to climate action and biodiversity protection and can deliver sustainable growth for the benefit of all stakeholders into the future.

In support of this strategy, the group has developed an implementation roadmap framed by a series of principles and procedures to evaluate and address climate-related risks and opportunities related to the group's business and the wider community. These principles and procedures aim to deliver regeneration through driving positive change, enhancing biodiversity and environmental protection, and providing opportunities for stakeholder prosperity.

The group has made a commitment to achieve a 50 per cent reduction in net GHG emissions (as defined in SECR below) by 2030 and to work towards the longer term objective of net-zero emissions by 2050. To this end, the group has signed up to the SBTi, an international, cross-industry framework aimed at promoting corporate adoption and disclosure of verified, science-based targets concerning decarbonisation. Under this framework, the group will be setting verified short and medium term emission reduction targets which will be published and against which the group must report on an agreed schedule.

The group has developed work programmes and initiatives based on the need to adapt and thrive in the face of risks and opportunities presented by ESG including climate change. If, as is projected, rainfall becomes increasingly intense during the wet seasons, infrastructure must be less flood-prone and more weather resistant. This requires investment in road-stoning, drainage and water management. If, as is also predicted, weather conditions become increasingly hot during the dry seasons, water stewardship will become increasingly challenging. The group continues to explore project opportunities aimed at increasing the resilience of the estate soils to both absorb and store increasing amounts of water and nutrients to help buffer the projected increasing weather variability. These projects include collaboration with researchers and commercial interests to develop methodologies for optimising the use of mill waste products, such as EFB and other sources of organic matter and nutrients for organic fertiliser.

In furtherance of these initiatives, in 2023 the group signed an initial five year collaborative research agreement with SEARRP, a Malaysian based organisation engaged in programmes to address environmental issues in the tropics, complementing the existing agreement with University of Cambridge signed in 2021. These agreements provide the group with access to world-renowned research networks focused on working in fragmented tropical landscapes in which oil palm cultivation plays a major role. Initial collaboration commenced with the group participating in survey work being carried out as part of the SEARRP SEnSOR programme to evaluate the effectiveness of biodiversity management and monitoring programmes. It is intended to develop a comprehensive soil health monitoring and enhancement research programme involving researchers from local universities and the SEARRP network. In addition, the group has submitted a joint proposal with researchers from the

University of Mularwarman and BRIN (the Indonesian National Research and Innovation agency) to investigate the potential for converting organic mill by-products into biofertilisers so as to replace imported inorganic fertilisers.

With the group's history of sustainable operations and smallholder projects to manage and ensure the traceability to source of its supply chain (as discussed under **Smallholders** below), the group aims to be well prepared, and is working with certain customers, to meet the requirements for deforestation-free products such as under the EUDR which comes into effect at the end of 2024.

Transparency

The group is committed to operating in a responsible, sustainable and transparent manner in accordance with globally recognised industry standards and has made the policy framework that underpins this commitment publicly available since 2015.

In addition to the sustainability information published each year in the annual report, the group publishes on its website more detailed information regarding the group's environmental and social performance, as well as the sustainability challenges, in accordance with internationally recognised standards as further explained below. This allows the group to take responsibility for its impacts and allows stakeholders to monitor the group's progress in meeting its sustainability commitments. This additional sustainability information is updated regularly through the year and is available at www.rea.co.uk/ESG. This regular provision of updated information now substitutes for standalone hard copy sustainability reports such as were published by the group in the past.

Each year, the group participates in the SPOTT assessment by ZSL. SPOTT uses publicly available information to assess palm oil producers, processors and traders on the transparency of their disclosures regarding policies, operations and commitments to ESG best practice. The overall SPOTT score comprises three ESG disclosure categories: organisation (the operations, assets and management structure); policies (the commitments and processes that guide the operations); and practices (the activities that actively progress towards targets and implementation of policies and commitments). The number of assessment categories, indicators and companies varies from year to year.

The toolkit is designed to incentivise implementation of best practice with respect to, inter alia, sustainability and traceability, certification standards, forest management, biodiversity, HCVs, HCSs, peatlands, fire, GHG emissions, water, chemicals, pest management, smallholders, community (land) and labour rights, and grievances. In the 2023 SPOTT assessment, the group increased its score from 87.0 per cent to 88.7 per cent, compared with the average score of 47.2 per cent and the top score of 95.6 per cent, and is ranked 12th out of the 100 palm oil companies assessed against 186 ESG indicators across 10 categories.

Strategic report

Environmental, social and governance

continued

Policies

The group follows a policy framework that underpins the group's commitment to recognised sustainable practices and demonstrates the group's desire to remain at the forefront of sustainable palm oil production. The group's policies, which are regularly reviewed and updated, can be downloaded from www.rea.co.uk/ESG/policies. Together, these policies embody best practices with respect to NDPE and sustainable development, the provision of a traceable, legal and deforestation-free supply chain, socioeconomic benefits for local communities, the protection of biodiversity and ecosystem functions, zero burning, reducing GHG emissions, human rights and a zero-tolerance approach to bribery and modern slavery.

Certification

Certification provides third party verification that a company is operating in accordance with national and international standards. Further, it encourages companies to improve their policies and practices by generating higher premia for certified products. Standards are embodied in various certification schemes, specifically the RSPO, ISPO and ISCC. These schemes focus on minimising deforestation, transparent feedstock supply chains, human rights and safety, and measurement of GHG emissions. The group aims to achieve and maintain certification under these internationally recognised schemes for all of its plantations and mills.

RSPO

The group has been a member of RSPO since 2007. RSPO is a multi-stakeholder organisation that has developed a standard to promote the sustainable production of palm oil. The RSPO standard is voluntary and consists of a set of Principles and Criteria designed so that entities can be assessed against the RSPO Principles and Criteria.

The group's two oldest mills, POM and COM, and their supply chains, were first certified in 2011. The supply chain for COM includes the group's most recently matured estate, KMS, which attained RSPO certification in 2020. RSPO surveillance audits are conducted annually to ensure continuing compliance and recertification audits take place every five years.

Annual surveillance audits for POM, COM and the COM and SOM KCPs and their supply chains together with the group's downstream bulking station were successfully completed during 2023, securing renewal of PalmTrace licences.

Following resolution of certain liabilities and approval of compensation plans during 2023 in respect of two small land areas within SYB (together amounting to 173 hectares) that were cleared in 2008 prior to changes in the regulations that required conducting HCV assessments, the initial audit of the group's third oil mill, SOM, and its supply base was also successfully completed during 2023. Compensation plans include long term conservation programmes and remediation plans, such as a collaboration with the Orangutan Foundation.

Certification of SOM is now valid until 2028, subject to annual surveillance audit results, and its PalmTrace licence has been issued.

Certification of 157 smallholders from one cooperative supplying both POM and COM was successfully achieved in 2022. 19 further smallholders that are within the SOM supply base were submitted for RSPO certification in 2023 and are expected to be certified later in 2024.

Compensation liabilities, involving annual payments of agreed fixed amounts for a period of 25 years, and remedial actions relating to minor historic errors in the application of RSPO criteria, affecting 959 hectares of planting at CDM, land clearing at two plasma cooperatives, and the establishment of riparian reserves along rivers in two of the group's estates were also agreed in principle with RSPO towards the end of 2023. The annual compensation liability payments are not material.

ISCC

CPO produced from mills certified under the voluntary ISCC scheme since 2012 may be sold for biofuel under EU RED. Following recertification audits, certificates for each of the three mills and the bulking station were renewed in 2023. Recertification audits for the current year took place in February 2023 with zero non-compliances recorded at POM, SOM and its supply base. However, under a change in ISCC regulations in 2021, a non-compliance was recorded at COM and its supply base in respect of a small area of land clearing carried out at Damai estate in 2011. COM continues to be ISCC certified, but this has necessitated the temporary withdrawal of the affected area from supplying COM under the ISCC certification system. The impact of this withdrawal is not material.

ISPO

The ISPO standard is a policy adopted by the Indonesian Ministry of Agriculture and is mandatory for all oil palm companies operating in Indonesia. REA Kaltim's estates and its two mills, POM and COM, first achieved ISPO certification in 2016 and have passed annual surveillance audits by the SGS Indonesian Certification body each year subsequently. The first five-yearly ISPO recertification audits for POM and COM were successfully completed and certification renewed. SOM and the SYB estates first obtained ISPO certification in 2018 and successfully completed their five yearly recertification audits in 2023. ISPO does not apply to immature or development estates.

The ISPO initial certification audits for KMS and CDM were conducted in 2023 and final audits are due to be conducted during the first half of 2024.

Certified sales

During 2023, not all of the FFB harvested from the group's estates was RSPO or ISCC certified and almost all of the FFB purchased from third parties was similarly not so certified. As a result, not all CPO and CPKO produced in the group's mills was eligible to be certified as RSPO or ISCC oil.

Where CPO is eligible to be certified as RSPO or ISCC oil, such oil can be sold only with one certification. Accordingly, the group must decide which certification should apply to each sale to achieve the highest premium. Although the same is true of CPKO, in practice there is no market for ISCC certified CPKO as ISCC supplies the biofuel market for which CPKO is not cost effective.

2023 sales of CPO and CPKO are shown below:

	CPO		CPKO	
	tonnes	%	tonnes	%
RSPO sales	45,830	21.7	2,392	12.0
ISCC sales	42,321	20.0	-	-
RSPO sold as uncertified	22,153	10.5	10,680	53.7
ISCC sold as uncertified	16,219	7.7	-	-
Uncertifiable	84,624	40.1	6,826	34.3
Total	211,147	100.0	19,898	100.0

Average premia realised during the year for RSPO sales amounted to \$15 (2022: \$11) per tonne of CPO and to \$213 (2022: \$209) per tonne of CPKO. Average premia for ISCC sales amounted to \$13 (2022: \$10) per tonne of CPO. Such premia apply only to the RSPO and ISCC certified sales shown in the table above. During 2023, demand for RSPO and ISCC certified oil was limited and this meant that, as shown above, significant volumes of RPSO and ISCC certified oil were sold as uncertified and therefore without premia on sale.

The group uses the RSPO PalmTrace system for certifying transfers of oil palm products from mills to refineries. Where RSPO certified oil is sold as uncertified, the group is able to obtain RSPO credits and can sell those credits separately from the oil. RSPO PalmTrace provides a marketplace for such sales. Similarly, there is a mechanism for realising value for ISCC credits when detached from the oil to which these relate. However, the value realisable for detached RSPO and ISCC credits during 2023 was low and the group therefore elected to carry forward such credits with the expectation that their realisable value would improve.

The group is working to increase the percentage of its CPO and CPKO production that can be sold as certified. Agreement of the compensation liabilities detailed under RSPO above, will mean that, going forward, almost all of the group's own FFB crop will be classified as RSPO or ISCC certified. As detailed under Smallholders below, the group is also taking steps to facilitate its smallholder suppliers obtaining sustainable credentials.

Additionally, the group is preparing to segregate a proportion of its CPO and CPKO production so as to produce oil that will comply with the requirements of EUDR that come into effect for products sold into the EU in 2025. It is expected that sales of compliant oil to refineries supplying refined oil to Europe will attract premia that are additional to the ISCC and RSPO premia that are currently available.

Environment

ISO 14001 is the international standard for effective environmental management systems that support organisations in the development and implementation of environmental policies and objectives. The group maintains ISO 14001 certification, which is subject to annual renewal, for all of the REA Kaltim and SYB estates and mills as well as the bulking station. Annual surveillance audits were conducted for REA Kaltim and SYB in March 2023 with certification successfully renewed until early 2024.

The group's mills are also rated annually under PROPER. PROPER is an initiative of the Indonesian government's Environmental Impact Agency which seeks to mitigate risks of pollution and associated consequences. The group is rated at both provincial and national levels. A blue rating denotes that environmental management standards meet the regulatory requirements; a green rating denotes that the company's standards go beyond the standard regulatory requirements. The ratings given to the group's mills in 2023 were:

	Provincial	National
POM	Green	Blue
COM	Green	Blue
SOM	Green	Blue

Strategic report

Environmental, social and governance

continued

Streamlined energy and carbon reporting

The group has been monitoring and reporting its carbon footprint using the PalmGHG tool for over ten years and currently uses the latest version (version 4) of the PalmGHG tool which became mandatory for RSPO members on 1 January 2020. The PalmGHG tool was developed by a multi stakeholder group within RSPO which included leading scientists in the field of GHG accounting for oil palm operations. Annual reporting of emissions using the PalmGHG tool has been mandatory for all RSPO members since 2016, with submissions independently verified by RSPO accredited certification bodies. The group also reports emissions for both ISCC and ISPO using a different calculation methodology.

The PalmGHG tool uses a lifecycle assessment approach, whereby all the major sources of GHG emissions (carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O)) linked to the cultivation, processing and transport of oil palm products are quantified and balanced against carbon sequestration and GHG emission avoidance. All direct, and the majority of indirect, emissions associated with the group's oil palm operations in Indonesia are captured within the PalmGHG tool. Changes in the calculation methodologies of the various versions of the PalmGHG tool as it has developed mean that there are variations in the calculation of emissions from year to year.

Information on the group's emissions and energy consumption in accordance with SECR is set out below.

Whilst the methodology for calculating emissions under SECR is identical to that used for RSPO, the scope of activities covered is different. RSPO requires only the GHG emissions from the group's palm oil mills and their supply bases to be included. Emissions linked to the group's estates that do not yet supply FFB to one of the group's mills are not included. Instead, emissions associated with the land use change component of new oil palm developments (which represent the majority of emissions from new developments) are accumulated over the immaturity period of each development and then amortised over the 25 year oil palm lifecycle once the development starts producing crop. The scope of emissions reported under SECR, however, includes all group activities worldwide and thus includes emissions from new developments as these arise, but excludes the amortisation of emissions accumulated during the development of areas now in production. Except where otherwise stated, the PalmGHG methodology, adjusted for this different basis, has been used for the calculations. Going forward, the group intends to adopt the now widely accepted international GHG Corporate Standard for calculating and reporting the group's GHG emissions although the PalmGHG tool may continue to be used for the purposes of certification schemes for palm oil.

	2023	2022
Gross emissions (tCO₂eq)		
Oil palm cultivation in Indonesia ¹	452,809	480,912
Manufacture, transport and use of fertilisers ²	69,387	49,872
Subtotal	522,196	530,784
Collection, milling and distribution operations in Indonesia ³	106,573	100,578
Electricity purchased for own use ⁴	79	79
Global emissions	628,848	631,442
UK emissions included within global emissions	17	17
Net emissions (tCO₂eq)		
Oil palm cultivation in Indonesia ¹ (including manufacture, transport and use of fertilisers ²)	67,100	39,997
Collection, milling and distribution operations in Indonesia ³	53,556	35,773
Electricity purchased for own use ⁴	79	79
Global emissions	120,735	75,848
UK emissions included within global emissions	17	17
Energy usage (kWh '000)		
Combustion of fuel	96,968	85,416
Methane capture generated electricity	17,933	17,520
Purchased electricity	75	75
Global energy use	114,976	103,011
UK energy use included within global energy use	10	16
Intensity measures (tCO₂eq)⁵		
Gross emissions / planted hectare	18.02	17.76
Gross emissions / tonne of CPO produced	2.94	2.80
Net emissions / planted hectare	3.41	2.13
Net emissions / tonne of CPO produced	0.56	0.34

- Covers Scope 1 direct GHG emissions from historic land conservation, agricultural practices and peat soil
- Covers Scope 3 indirect GHG emissions including those associated with the extraction, production and transport of purchased materials such as fertilisers and pesticides, as well as fuel usage by third contractors involved in operations
- Covers Scope 1 and 3 emissions from the transport and processing of crop and waste products. Conversion factor used to calculate energy use from combustion of fuel is 10.58kWh/litre diesel (Source: UK government GHG Conversion Factors for company reporting 2020)
- Covers Scope 2 emissions associated with electricity usage in group offices in both Indonesia and the UK, representing indirect GHG emissions from the consumption of purchased electricity as defined by the GHG protocol
- Calculated using the group's palm oil emissions data

Gross GHG emissions associated with the group's oil palm operations were overall 1.6 per cent lower in 2023 compared with 2022. Within the overall total, gross emissions associated with crop collection, milling and palm product distribution increased by 6.0 per cent in 2023 due to the higher consumption of diesel fuel for processing crops.

Net GHG emissions are calculated by deducting from the gross GHG emissions the carbon that is estimated to have been fixed (sequestered) by the oil palms and conserved set-aside forest through the process of photosynthesis. A further deduction is made to account for the GHG emissions that have been avoided as a result of the use of renewable electricity from the group's methane capture facilities in domestic buildings and by local communities that were previously supplied with electricity from diesel powered generators. As a result, net emissions are substantially lower than gross emissions. However, in 2023, net GHG emissions were 67.8 per cent higher than in 2022 because of the development and new planting in PU, increased fertiliser application, and the replanting of the group's mature areas.

The group applies two measures to its evaluation of the intensity of its GHG emissions: net GHG emissions per tonne of CPO produced and net GHG emissions per planted hectare (immature and mature). Both intensity measures are considered relevant because the maturity of the oil palm within the supply base does not influence the trend in GHG emissions per planted hectare, whereas it does impact the GHG emissions per tonne of CPO. Net GHG emissions in 2023 show a 64.7 per cent increase against 2022 when expressed per tonne of CPO produced and a 60.1 per cent increase when expressed per planted hectare. The group's long term strategy is to reduce emissions by focusing on decarbonisation and carbon insetting.

Responsible agricultural practices

Maintaining clean air and fresh water resources is vitally important for the villages in, and in the proximity of, the group's estates, as well as for the group's own operations. The quality of river water, ground water and tap water is monitored regularly across the group's plantations and employee facilities to ensure that the relative BOD and COD remain within the applicable regulatory standards. The group's mills operate with zero effluence, so that, in compliance with Indonesian law and RSPO certification standards, no by-products resulting from the production of CPO or CPKO are discharged into local water courses. Air quality is tested regularly against set parameters, including levels of carbon monoxide and nitrogen dioxide, to ensure that it too remains within regulatory standards.

Production of CPO and CPKO uses high quantities of water which must be carefully managed to minimise waste and to reduce the risks associated with droughts during the dryer seasons. Water usage inevitably increases as FFB production increases, so the group has been working to improve the efficiency of water consumption in its mills and has developed a time bound plan with the objective of keeping water usage below 2.5m³ per tonne FFB. All three of the group's mills

continued to be comfortably below this target in 2023, although overall water usage showed a slight increase from 1.5m³ per tonne in 2022 to 1.6m³ per tonne in 2023 due to higher domestic water consumption associated with the construction of additional housing and related facilities. The group is evaluating its water usage and targeting reductions for 2024 by, inter alia, increasing the amount of recycled water used for facility wash downs.

GHG emissions from POME have reduced substantially following the installation in 2012 of the methane capture facilities at POM and COM. Such facilities utilise a substantial portion of the POME produced at POM and COM for the generation of renewable energy. POME that is not used for methane capture, including the POME from SOM, together with the digested POME residue from the methane capture facilities is pumped through a series of open ponds to reduce its BOD. Thereafter, it is used for land application in flat beds between rows of oil palm, allowing the remaining nutrient content to be used as a fertiliser. The BOD and COD of the POME in the final open pond at each mill is subject to monthly testing by a third party to ensure that it remains below the legal limit for land application in Indonesia, being 5,000mg/litre and 10,000mg/litre, respectively.

Fertiliser application is optimised by analysing the nutrient content of systematically selected oil palm frond samples, supplemented by visual inspection of palm canopies and soil sampling. The analysis is conducted by an in-house agronomy team and verified by independent agronomy consultants. The application of inorganic fertiliser increased from 24,721 tonnes (0.70 tonnes/hectare) in 2022 to 28,126 tonnes (0.71 tonnes/hectare) in 2023 principally due to the additional requirement for the group's development and new planting in PU, as noted above.

The group seeks to optimise the quantity of fertiliser that it applies and supplements inorganic applications with EFB, a waste product from the mills and, as noted above, BOD reduced POME. The application of EFB provides the palms with nutrients and the soil with organic matter which helps to retain moisture, promote beneficial soil biodiversity and fertility. Increasing the organic carbon content of soils in this way also improves their resilience to periods of dry weather which may otherwise initiate stress in the palms.

Through routine monitoring by the group's environment department of conditions within the plantation blocks, the group seeks to identify, and potentially improve, pest management through biological control and integrated pest management practices in order to reduce the use of chemically based pesticides. Such integrated pest management systems aim to prevent pest outbreaks by boosting biological control. To optimise natural pest control, the group has planted at regular intervals along roads and on the corners of oil palm sub blocks plant species (*Turnera subulata* and *Turnera ulmifolia*) that are known to attract natural predators of the major leaf eating pests of oil palms, such as bagworms and nettle caterpillars.

Strategic report

Environmental, social and governance

continued

Employees

At the end of 2023, the group's workforce (which includes non-executive directors) numbered 9,379 compared with 9,138 at the end of 2022. The increase principally reflected additional recruitment of fixed term contract workers for the field operations to continue the recovery of optimal harvesting and upkeep standards. Additionally, there were a number of key senior and middle manager appointments in 2023 to support the drive to strengthen the finance and accounting functions, technical services, and the smallholder and community development teams.

Performance of management staff is evaluated annually in relation to a pre-agreed set of quantitative and objective KPIs. The reward system for all levels of employee is reviewed at least annually and refined if necessary to ensure that it remains in line with best practice. Particular attention is paid to ensuring that compensation and benefits for field workers, who are a key component of the group's workforce, are competitive and effective. To incentivise productivity, there are bonus systems and additional allowances for achieving certain graduated targets or working in difficult areas, such as harvesting tall palms.

The group endeavours to provide competitive remuneration packages, opportunities for career development, and a decent standard of living on the estates for employees and their families in order to attract and retain staff at all levels. This is particularly important given the remote location of the group's estates. Good quality housing and community facilities for employees are a priority, and employees are encouraged to support the group's ongoing programme of renovation and maintenance with regular awards for best kept homes and village emplacements. The group continues to build houses using *batako* bricks, which are produced in-house by mixing boiler ash from the mills with cement. This material has significantly reduced both the cost and environmental footprint of new houses over the years.

In 2023, a company-wide census was conducted to assess the availability and quality of housing, facilities and occupancy rates. Following this exercise, over 40 new housing units were constructed for some 250 employees and several existing units were refurbished.

The village emplacements are provided with medical clinics, crèches, mosques, churches, sports facilities and markets. In 2023, the group completed construction of, and won accolades for, a new central medical facility, as described under Health and Safety below.

Three employee cooperative shops (REA Mart), established with the support of the group's community development department, serve the group's two northern and one southern estate areas. These supply everyday groceries and household items for the benefit of employees living on the estates. The shops are able to bulk purchase and thereby source products competitively.

The group has established an educational foundation to provide a network of schools across the estates, authorised in accordance with government regulations. The educational foundation operates 27 schools, comprising 13 pre-schools, 13 primary schools and one secondary school. At the end of 2023, there were 2,732 students (580 pre-school, 1,913 primary school and 239 secondary school children) enrolled in the group's school system.

The quality of education facilities is critical for attracting and retaining employees. In 2023, several school buildings and school buses were upgraded and construction of a new central junior high school building was completed. The new building has permitted the delivery of more efficient and effective schooling and boosted the overall quality of teaching provision. The teaching faculty has also been refreshed, with a number of new appointments and upskilling of existing staff. To provide support to employees with young children, the group provides crèches on each estate, five of which were refurbished in 2023 to offer a more stimulating environment for toddlers and pre-school children.

An informal team of volunteers who are either employees or employee family members, works to develop and undertake programmes aimed at improving the quality of the REA Kaltim community. To date, this volunteer taskforce has focused principally on educational facilities, such as the refurbishment of crèches mentioned above, and hygiene.

The group aims to maintain and improve management standards by facilitating the upward mobility of promising employees through its management training programme and by recruiting new graduates through its collaboration with local polytechnics and universities. A fresh graduate recruitment programme was introduced in 2023, receiving applications from 336 applicants of which 20 were employed to fill a range of functions in the group. The recruited graduates undergo 12 months of theoretical and practical training in all aspects of plantation management and those who successfully complete the programme are appointed as assistants on the group's estates, in the mills and in various administrative departments, such as technical services, sustainability and safety. Over the last 20 years, close to 500 trainees have participated in the group's trainee programme of whom one third are still employed by the group.

The group's partnership with a specialist palm oil polytechnic, CWE, continues to support the development of future technical specialists by sponsoring scholarships for CWE's diploma programme. In the partnership's second year in 2023, a further nine (2022: nine) scholarships were awarded to children of the group's employees and from local communities. It is intended that the group will offer employment to these students upon graduation. In recognition of this scholarship programme, the group received a CSR award from the local authority in 2023.

Help with career advancement is not restricted to the management training programme. To equip employees at every level with the skills and knowledge to perform effectively and to advance their careers, the group also runs an annual

intensive training programme for established employees to map talent for future leadership roles. The programme is designed by the group's training manager and consists of both in-house training and participation in external training and conferences. Externally facilitated training, coaching, and workshops are also provided for senior managers to ensure the alignment of individual and corporate values, policies, and priorities. A total of 1,543 (2022: 1,133) employees, representing some 16.5 per cent (2022: 12.4 per cent) of the workforce, participated in the group's various training and development programmes in 2023.

The group takes seriously its duty to protect and respect the human rights of any person affected by its operations and is committed to adhering to the core conventions of the International Labour Organisation's Fundamental Principles and Rights at Work, as well as Indonesian labour regulations and the provisions of the Modern Slavery Act 2015. The policy on human rights is displayed at work sites to communicate the group's commitments in this regard to employees at every level. This policy includes a commitment to promote diversity and equality in the workplace and states clearly that discrimination based on age, disability, ethnicity, gender, marital status, political opinion, race, religion, or sexual orientation will not be tolerated. As at the end of 2023, 40 ethnicities and five religions were represented in the group's workforce.

The group pays careful attention to the gender balance within its workforce. At the end of 2023, female employees accounted for 25 per cent (2022: 24 per cent) of the group's workforce, including 20 per cent (2022: 21 per cent) of the management team.

Employee numbers	2023		2022	
	Male	Female	Male	Female
Directors*	5	2	5	2
Management	76	19	75	20
Rest of workforce	6,936	2,341	6,859	2,177
Total	7,017	2,362	6,939	2,199

* Including non-executive directors

In furtherance of the group's policy on human rights, the group has established a local committee focusing on DEI. The DEI committee's members comprise the head of human resources, senior managers and employees with relevant knowledge and expertise to advise on and help implement the group's policies that aim to ensure equality of opportunity and treatment at all levels in the group.

A code of conduct established in 2011 embodies the group's anti-bribery and corruption policy as well as whistleblowing procedures. The whistleblowing procedure implemented for employees in Indonesia, where the majority of the workforce is based, is managed and facilitated by a professional independent third party firm. Matters warranting investigation are brought to the attention of the REA Kaltim audit committee which has primary responsibility for oversight of issues arising and any follow up action necessary in respect of the group's code of conduct. As required, such matters are referred to the group audit committee.

The final phase of the human resources information management system, that was introduced in 2021, went live at the start of 2023 offering improvements and efficiencies for the human resource function across the group.

Management

Overall responsibility for the group's affairs resides with the managing director, who is based in the UK. The president director of the group's principal operating subsidiary, REA Kaltim, together with four fellow directors of REA Kaltim, all of whom are based in Indonesia, has local responsibility for the group's operations in Indonesia, covering the estate operations, ESG, finance and administration.

As a foreign investor in Indonesia, the group is conscious that it is in essence a guest in Indonesia and an understanding of local customs and sensitivities is important. The group's ability to rely on senior Indonesian staff to handle its local interface is therefore a significant asset upon which the group continues to build. This asset is augmented by the support and advice that the group obtains from local advisers and from the local non-controlling investors in, and local commissioners of, the group's Indonesian subsidiaries.

Health and safety

The group maintains appropriate policies and socialisation of health and safety protocols for employees, contractors and visitors to the group's sites.

The group intends to undertake an independent company-wide safety audit in 2024 to achieve certification in accordance with Indonesian Health and Safety Work Management System (SMK3) and international standards of Operational Health and Safety Management System (ISO 45001:2018). In the meanwhile, monthly internal occupational health, safety and environment inspections and training have continued to be conducted against these standards in order to understand better, highlight and manage potential health and safety hazards that may occur. Routine training covers safe working practices throughout the operations, fire risks and management, and first aid.

Roads in and around the group's operations can be hazardous, particularly after heavy rain, so drivers of all vehicles are required to pass a company test for driving competency. Motorcycle safety training is also provided for employees and their family members as motorcycles are their standard mode of transport. Additionally, the group provides training on action in the event of natural disasters, the impact of which could potentially be significant given the remote location of the group's operations.

During 2023, the group implemented a vehicle tracking system to improve the management, control and safety of vehicle usage. Additionally, a maximum speed limit of 50km per hour was introduced and is enforced throughout the estates to improve safety and reduce environmental impacts.

Strategic report

Environmental, social and governance

continued

OHS training across all of the group's operations continued through 2023 to increase employee awareness and understanding of safe working practices and behaviours. Government mandated regulatory safety training is conducted for certified safety managers, vehicle and heavy equipment operators, users of pesticides, and first aid and fire prevention officers. More frequent inspections and internal audits have been introduced to target a reduction in the number of work accidents.

In 2023, the group recorded 1,367 work incident cases (2022: 993) and 1,256 working days lost (2022: 6,830), as the LTIFR in 2023 was 17.9 compared with 11.8 in 2022. As reported previously, a regrettable incident in 2022 resulted in a fatality which meant that a mandatory 6,000 lost working days had to be recorded. The increase in incidents and working days lost are largely accounted for by the increase in the number of fixed term contract workers many of whom lacked experience of harvesting in the challenging tall palm areas. The group has a rigorous accident reporting and investigation procedure to ensure that the cause of any incident is properly identified, and senior management and operational teams implement any necessary remedial actions across the group to prevent, or minimise the risk of, repeat occurrences. The group is promoting more rigorous management of health and safety through the SMK3 audit process.

Healthcare provision is usually extremely limited in the remote rural areas in Indonesia, such as in the locations of the group's operations. The group has therefore established a network of 19 clinics to provide healthcare to employees, their family members and members of the local communities living in proximity to the group's operations. There is a full time team of three doctors, 20 paramedics, 12 midwives, two pharmacists, a laboratory assistant, a nutritionist, and an environmental health officer on site.

As part of the group's programme of investment in upgrading its medical services provision and treatment facilities, construction of a new central medical centre was completed and inaugurated in 2023. In line with the latest government regulatory requirements, there are improved facilities for employees and their families, and for patients from the local communities who are registered with the Indonesian national insurance scheme (BPJS). The centre has doubled previous estate patient capacity and provides both outpatient and inpatient care, with facilities for 24 hour emergency, childbirth and dental services. The centre also houses a laboratory, pharmacy and mortuary.

The new medical centre has been awarded the highest available level of accreditation by the Indonesian department of health with certification valid for five years. The centre also participated in national and regional assessments in 2023 and has been recognised for its contribution to community welfare and family health.

All employees receive training in basic life support skills and staff at certain levels receive training in first aid. Employees are also provided with information on, and training to prevent,

the ten most prevalent infectious diseases, such as dengue, haemorrhagic fever and typhoid fever, and female employees receive training in the early detection and prevention of cervical cancer. Monthly immunisation programmes are promoted and provided for all employees' families living on the group's estates. These include vaccinations against measles, mumps and rubella (MMR) as well as polio in collaboration with external medical professionals as part of an Indonesian government programme.

General and specific work related medical check-ups are also performed for employees, with a range of annual or semi-annual tests that include blood cholinesterase and spirometry or lung saturation tests for potential chemical and dust exposure, audiometry for noise exposure particularly in the mills and fabrication department, and workload endurance, fitness and ergometry for certain field workers, conducted in conjunction with the local Department of Employment. Employees who exhibit unsuitability for the requirements of their role are rotated into other, more suitable, roles. Random drug testing is conducted throughout the year across the group to discourage drug usage and addiction amongst employees and families resident on the group's estates.

Communities

Good relations and mutual respect between the group and the communities impacted by its operations are of fundamental importance to the living standards and conditions of the local communities and to the group's ability to operate sustainably and efficiently. Regular meetings take place between members of an experienced in-house team and representatives of the communities to establish, maintain and improve relationships, offering the opportunity to discuss and resolve concerns that may arise relating to the group's operations.

Local community development activities continued during 2023. These included: collaborative health programmes with free health checks for the community and mass blood donation schemes; education initiatives such as scholarship programmes at elementary and high school level; promotion of youth sports through the provision of equipment to schools; cultural support such as donations for significant national religious events; and loans of heavy equipment to improve infrastructure, repair public facilities, and to construct community buildings (traditional *lamin adat besar* houses) for religious and other communal activities.

Expanding on its existing relationships with the local communities, the group has continued to work in collaboration with an independent delivery partner (PT Plan B), the local government and local communities with the aim of establishing public-private-community partnerships in the vicinity of the group's operations. Following on from the pilot project initiated in 2022, three further villages completed the process of mapping community land use maps detailing the current land use in each village and setting out the development aspirations for their respective administrative areas. The group is now working with supply chain partners to fund the roll out of this project to 28 villages neighbouring the

group's operations. Commitments have been received from the local district government to join this initiative with the aim of increasing the area covered to the entire district jurisdictional area.

In addition to supporting smallholder farmers growing oil palm, the group encourages the local communities to improve their resilience and reduce their dependency on oil palm cultivation by developing other businesses. The group supports projects to diversify their food production and income with agricultural products, such as corn, vegetables and rice, and provides practical assistance in the development of fishponds, irrigation of rice fields, and distribution of seeds. The group also continues to work with local communities through village owned enterprises (*Badan Usaha Milik Desa*) to provide transport for FFB, CPO and other palm products under contract.

Since 2021, the group has been cooperating with the local government and communities to develop a network of trained community groups to promote fire prevention and firefighting capabilities. Training courses in local villages continued throughout 2023 and a fire prevention and control agreement was reached between the group and the local communities with firefighting equipment acquired for the relevant communities. The cooperation is intended to encourage efforts to reduce the traditional reliance on fire for clearing village land and, in parallel with other group funded community development initiatives, to promote forest and habitat conservation.

Responding to a government initiative, the group runs waste and recycling centres in the housing areas of each of its estates. The centres gather waste from employees and their households and the waste is then collected by two local district bodies as part of the inorganic waste management programme sponsored by the regional Environment and Forestry Service. Households receive financial compensation based on the volume of waste deposited and the group benefits from the reduction in waste disposed of in landfill.

Land claims

Establishing an oil palm plantation in Indonesia can involve various land claims by communities as a result of overlaps between plantation land allocations and land customarily used by the communities. Not all land claims lodged by villagers are found to be legitimate and the village affairs department works to resolve any such claims effectively and transparently. All claims are resolved through the FPIC approach with the involvement of local government authorities and the respective claimants.

Land rights claims against the group have decreased significantly in recent years, from 27 claims in 2017 to a handful of claims in each year since. In 2023, three new land claims were lodged covering an area of 9.21 hectares in an HCV area.

Community resources

Over the last 20 years, the group has invested considerable time and effort to ensure that its operations do not negatively impact local communities but rather contribute to their livelihoods. This has evolved into schemes designed to ensure that local communities share in the benefits generated by the group's operations without being dependent upon them. Initiatives include maximising employment opportunities for local people, supporting and improving local businesses, expanding smallholder schemes and investing in infrastructure projects that will catalyse further development. In supporting projects, the group recognises the importance of local villages having control over the management and maintenance of their own resources.

Water treatment facilities installed by the group provide access to clean drinking water for 17 local villages. Additionally, the renewable energy generated by the group and distributed through the infrastructure of the Indonesian state electricity company, PLN, is available to 26 villages around the group's operations. In these villages, a total of 8,703 households have so far opted to install prepayment meters provided by PLN.

Smallholders

The group supports oil palm smallholders in the surrounding communities by way of three smallholder schemes: *Program Pemberdayaan Masyarakat Desa* (PPMD), Plasma, and independent smallholders. These schemes, and the purchase by the group of FFB from smallholder cooperatives, create mutually beneficial relationships, contribute to local employment and are supported by training in better, more sustainable, agricultural practices.

The group started working with smallholders in 2001 under the Smallholder Farmers Programme which became the PPMD scheme in 2005. Under this scheme, the group supported 14 cooperatives of local people with access to land to cultivate oil palm by providing them with oil palm seedlings, fertilisers, herbicides and technical assistance. The costs of the inputs provided are repaid by the members of these cooperatives, interest free, through deductions made when their FFB is sold to the group's palm oil mills.

Plasma smallholder schemes are established for the benefit of the communities that surround the group's plantations in accordance with regulations introduced by the Indonesian government in 2007. Plasma schemes are not required for the group's estates that were established prior to 2007 but, in the interests of equitable treatment, the group has committed to develop plasma cooperatives for villages with land areas adjacent to the group's land allocations developed prior to 2007.

Plasma schemes differ from PPMD in their financing and management. Plasma schemes established to date have been financed by loans to the plasma cooperatives from the group and local banks. The cooperatives themselves are not responsible for, or involved in, the management of the plasma plantations owned by the plasma cooperatives,

Strategic report

Environmental, social and governance

continued

but rather the group manages these areas in return for a pre-agreed management fee. The cooperatives receive an income derived on an agreed basis by reference to the value of FFB harvested. The development of oil palm plantations under a plasma scheme can take longer to organise than the development of PPMD or group estates, due to the more complex nature of the funding, legal aspects and management of these areas. The group currently works with seven plasma cooperatives, which are now receiving regular monthly income from sales of FFB to the group. All such sales are made at prices set by government regulations.

Total active smallholder areas delivering FFB to the group amounted to 13,232 hectares on 31 December 2023, equivalent to 37 per cent of the planted areas of the group's own estates of 35,742 hectares.

	2023	2022
Smallholder plantings (hectares)		
Plasma	4,034	4,034
Independent smallholders	7,917	7,689
PPMD	1,281	1,295
Total	13,232	13,018

The group currently purchases FFB from the 14 PPMD cooperatives and from nine plasma scheme cooperatives and ten independent smallholder cooperatives. Together they accounted for some 24 per cent of the FFB processed in the group's mills and provided revenue to the cooperatives equivalent in total to \$32.8 million in 2023.

	2023	2022
FFB purchased (tonnes)*		
Plasma	74,054	73,184
Independent smallholder and PPMD cooperatives	152,486	171,460
Total	226,540	244,644
Revenue to cooperatives (\$ millions)	32.8	42.2

* Excluding purchases from third party corporates

In 2022, the group adopted a new pricing policy for the purchase of independent smallholder FFB. The previous use of a single price set every two weeks by a local government authority (and applicable to all mills in East Kalimantan irrespective of their location) was replaced with a commercial price set weekly by the group having regard to prices offered for external FFB by competitor mills. The new policy facilitates differential pricing between the group's three mills so as to better balance mill FFB throughputs and will, in due course, permit the introduction of incentive payments to local FFB suppliers who are willing to obtain sustainability certification for their FFB.

The reduction in the volume purchased from independent and PPMD smallholders in 2023 in part reflected lower production due to aging oil palms and the prolonged dry season, compounded by reduced fertiliser applications because of increasing costs. Additionally, in the first few months of 2023, competition from other local mills offering enhanced payment terms for externally sourced FFB resulted in a reduction in purchases of third party fruit. Following an adjustment of the

group's purchase prices in the second quarter, purchases returned to more normal levels.

Such reduction in the volume of purchases from independent and PPMD smallholders contributed to the fall in revenues to cooperatives as detailed in the table above. However, the principal reason for the fall was that CPO prices during 2023 were lower than in 2022.

The group has committed to no development of HCS forests and HCV areas and in the natural ecosystem areas that have unique values and ecological carrying capacity in accordance with the RSPO standards. Accordingly, the group continues to address the traceability of its supply chain for external FFB that is processed in the group's mills. Traceability information, including geolocation coordinates and polygon mapping, is collected as part of the supplier due diligence process to mitigate any risk of deforestation and the group now has a database of all smallholder land within its supply base. FFB suppliers are registered through their local cooperatives and each delivery to the group's mills is recorded and its origin verified. This data is also used for analysis in connection with the group's programme of support to local farmers with field and management training in a drive to improve their productivity, fruit quality and sustainable practices.

The group actively manages its relationship with smallholders to ensure that it offers a competitive market for their FFB that also fulfils the group's traceability and quality requirements and ensures that the group sources sufficient quantities to optimise throughput in the mills. The group adopts an inclusive approach and is working with the smallholders supplying FFB to its mills to improve the sustainable component of the group's supply chain and promote sustainable palm oil production. The group has determined 15 November 2018 (in accordance with the RSPO Principles & Criteria 2018) as the cut off date for the group's supply chain in compliance with the group's NDPE policy.

The pilot project established in 2021 with the Abler Nordic Climate Smart Fund and Plan B to provide a mechanism for smallholder farmers to access funds for intensifying their oil palm yields and developing alternative revenue streams is currently being extended to other local villages. The objective of the programme is to reduce pressure on the remaining forest areas outside the group's concession areas as well as to improve the traceability of the FFB supply chain and improve local family incomes.

More than 1,000 local smallholders in six local villages have so far received upskill training in best management practices for oil palm to help improve their yields and FFB quality and a total of 16 smallholder areas are currently participating in the replanting programme, with a further seven scheduled to carry out replanting in 2024. The initial group of 157 smallholder farmers covering 588 hectares of oil palm plantations were the first in the Kutai Kartenegara district to achieve RSPO certification in 2022. The number of participating farmers is continuing to grow with a further 19 smallholder farmers covering 136 hectares of oil palm plantations submitted for RSPO certification in 2023.

Conservation

Plantation development in the tropics has the potential to alter local biodiversity and natural ecosystem functions. The group therefore believes that operational requirements for oil palm cultivation, that include land clearing, maintenance, harvesting, processing and delivery, should be guided by conservation principles designed to avoid or mitigate negative impacts and augment positive steps to restore or enhance original landscape level biological diversity. Currently a total of approximately 17,990 hectares have been set aside as conservation reserves within the group's titled land bank, accounting for over 26 per cent of the group's land areas.

The group takes seriously its responsibility to conserve and, where possible, restore or rewild the natural landscape in and around the group's operations. The group's conservation department (REA Kon) was established in 2008 and aspires to exceed, rather than just meet, all the requirements of the sustainability bodies by which the group is certified. REA Kon is organised into three functional areas: plantation ecology (evaluating the long term ecological relationships between planted blocks and conservation reserves); biodiversity management (understanding trends within and conservation management of natural species of the landscape); and communities and forests (collaborating with local communities in the conservation management of the group's designated conservation reserves, including HCV areas).

To address and mitigate the impacts of climate change, REA Kon continues to expand its rewilding and enrichment programme and supplies seedlings of endemic forest fruit and timber tree species to local communities and for the group's restoration projects. The REA Kon nursery maintains a stock of some 5,500 seedlings (2022: 4,700) for rewilding projects. In 2023 more than 1,000 seedlings of individual native fruit and timber trees were distributed and planted and a further 3,400 seedlings were planted for restoration of approximately 9 hectares of degraded areas. As the forested conservation areas mature, this will lead to increased carbon sequestration and capture. Observational data gathered during 2023 demonstrates that the group's endeavours as respects conservation, which encompasses a mixed use landscape, have assisted in the survival and enhancement of a significant portion of the original biodiversity of the area.

REA Kon maintains a permanent database of species richness, distribution and abundance with special emphasis on the status of any species of fauna or flora listed as Critically Endangered [CR] or Endangered [EN] by the IUCN. Any species not recorded in previous years is identified and its location entered into the database. In 2023, the programme of mapping the locations of all species within the group's conservation reserves identified a total of 698 species (87 mammals, 267 birds, 61 reptiles, 44 amphibian, 126 Lepidoptera (butterflies and moths) and 113 fish).

CR and EN species recorded by camera trap or incidental observation in 2023 include:

- Orangutan (*Pongo pygmaeus morio*) [CR] found in six different areas around the group estates
- Sunda Pangolin (*Manis javanica*) [CR] identified across five separate sites
- Bornean Gibbon (*Hylobates muelleri*) [EN] observed in five separate sites
- Proboscis Monkey (*Nasalis larvatus*) [EN] consistently observed throughout the year in one wetland site at three locations
- Flat-Headed Cat (*Prionailurus planiceps*) [EN] observed in two separate sites
- Marbled Cat (*Pardofelis marmorata*) [EN] and Sunda Clouded Leopard (*Neofelis diardi*) [EN], both carnivores, observed on rare occasions
- Greater Green Leafbird (*Chloropsis sonnerati*) [EN] as new record
- Storm's Stork (*Ciconia stormi*) [EN] and Wrinkled Hornbill (*Rhabdotorhinus corrugatus*) [EN] observed on rare occasions

A total of 12 previously unrecorded bird species were found in 2023. Monthly point counts for birds across specific sites in the group's conservation reserves demonstrate a steady increase in species richness and suggest that a higher number of species can be expected with additional inventories. Recording and monitoring of butterfly species also provides information on the ecological health of the landscape. 46 previously unrecorded species were added to the records for Lepidoptera in 2023.

To improve the level of data collection and ensure that records are reflective of the current reality, REA Kon continues to implement additional survey methods to enhance data collection. In 2023, night surveys were initiated to improve identification and recording of nocturnal species encounters.

Phenology monitoring as prescribed by the Ministry of Environment and Forestry in permanent plots revealed at least five RTE tree species in 2023, including the CR timber species, Kayu Resak (*Vatica rassak*) and Sweet Chestnut (*Castanopsis argentea*) [EN]. REA Kon collects fruits or seedlings of all such endangered tree species for regeneration in its seedling nursery and replanting in the restoration and rewilding sites. REA Kon has also cultivated and replanted large numbers of economically valuable Ironwood (Ulin) (*Eusideroxylon zwageri*) and several other valuable timber species such as Red Balang (Kahoi) (*Shorea balangeran*).

Encroachment into conservation reserves poses a significant risk to the viability of endangered species and their forest habitats. REA Kon monitors the boundaries of its conservation reserves which are clearly marked with signboards to identify their status as protected sites. Joint patrols of forest conservation areas are conducted with the group's staff and security to monitor and swiftly respond to illegal intrusion into conservation areas. The group also has access to the Satelligence satellite data system which generates biweekly updates to an online platform for monitoring the status of

Strategic report

Environmental, social and governance

continued

forest cover and land clearing activities within and around the group's estates. This facilitates rapid investigation of illegal activities within the estates and smallholder areas that may be damaging to the environment. Any encroachment is investigated and, as necessary, processed in conjunction with local communities and government authorities.

REA Kon has installed climate indicator tools and collects temperature, rainfall and humidity data from its weather station on the estates. Water quality is measured quarterly in several watersheds in the group's forested conservation reserves and HCV forested areas to ensure that water resources remain free of contamination. During 2023, monitoring of water quality was conducted in four rivers (Butut, Temaring, Salai, and Lurah). No significant contamination was identified.

REA Kon conducts socialisation projects on conservation education and management and on the value of protecting the environment with the local communities, the group's employees, school pupils, as well as the local government. REA Kon seeks to engender a long term collaboration with these groups through discussion forums, exchanges of information and the distribution of leaflets and posters on the group's conservation policies and government regulations as respects, for example, animal protection. During 2023, REA Kon sought to expand the reach of its environmental awareness activities to both the company and external communities with the aim of minimising disturbance to HCV areas.

In recognition of the group's record of dedication to conservation, as part of the 66th anniversary celebrations for the Province of East Kalimantan in 2023, the group was given an award as best manager of an area with high conservation value within a plantation designated area.

Strategic report

Finance

Accounting policies

The group continues to report in accordance with UK adopted IFRS and the company continues to report under FRS 101.

Both the group and the company continue to present their financial statements in dollars.

There have been no changes to the group's accounting policies as a consequence of new standards and amendments that are mandatorily effective for accounting periods beginning on or after 1 January 2023 as they do not impact the disclosures or amounts reported by the group.

As noted under Initiatives in the Introduction and strategic environment section of this Strategic report, the company has granted a priority right to DSN to acquire CDM. Moreover, if DSN does not exercise that priority right, the company intends to pursue an alternative sale of CDM. Accordingly, in the consolidated balance sheet at 31 December 2023, the assets of CDM have been reported as Assets classified as held for sale and the liabilities of CDM as Liabilities directly associated with assets held for sale.

Group results

Group revenue, operating profit and (loss) / profit before tax for 2023 (with comparative figures for 2022), were as follows:

	2023	2022
	\$'m	\$'m
Revenue	176.7	208.8
Operating profit	14.8	41.4
(Loss) / profit before tax	(29.2)	42.0

In comparing (loss) / profit before taxation for 2023 with that of 2022, account needs to be taken of losses on disposals of subsidiaries and similar charges, foreign exchange movements and a 2022 release of a prior year provision of which details are given below. The following table shows the effect of excluding these items:

	2023	2022
	\$'m	\$'m
(Loss) / profit before tax	(29.2)	42.0
Exclude:		
Losses on disposal of subsidiaries and similar charges	26.1	-
Foreign exchange movements	4.2	(14.2)
Prior year provision released	-	(3.2)
	1.1	24.6

Revenues decreased by 15.4 per cent in 2023 compared with 2022 due to lower average selling prices and CPO sales volumes. As noted under Crops and extraction rates in Agricultural operations above, group FFB production was broadly in line with 2022 but extraction rates were a little lower and there was some reduction in the volume of third party fruit that was processed. Average prices realised by the group for CPO and CPKO, including premia for certified oil but

net of export levy and duty (adjusted to FOB Samarinda) were, respectively, \$718 (2022: \$821) per tonne and \$749 (2022: \$1,185) per tonne.

Cost of sales reported for 2023 was made up as follows (with comparative figures for 2022):

	2023	2022
	\$'m	\$'m
Estate operating costs	78.0	76.6
Purchase of external FFB	33.6	43.0
Depreciation and amortisation	28.8	27.7
Stock movements	2.0	0.5
	142.4	147.8

Estate operating costs were 1.8 per cent higher in 2023 than in 2022. The cost increase, albeit lower than the rate of Indonesian inflation, was due to a combination of higher fertiliser costs, reflecting increased application of fertiliser, and higher labour costs reflecting increases in general wages and workforce numbers.

The reduced purchase cost of external FFB reflected the lower CPO prices and the reduced volume of external purchases with the latter 6.9 per cent lower than in 2022 (231,823 tonnes in 2023 compared with 248,969 tonnes in 2022).

With the \$32.1 million reduction in revenue partially offset by a \$9.4 million reduction in purchase cost of external FFB and the slight increase in other costs, operating profit for 2023 at \$14.8 million was some \$26.6 million lower than the corresponding figure for 2022.

Administrative costs reported for 2023 were made up as follows (with comparative figures for 2022):

	2023	2022
	\$'m	\$'m
Loss on disposal of PPE	1.1	0.2
Indonesian operations	14.9	14.2
Head office	3.4	3.4
	19.4	17.8
Amount capitalised	(2.0)	(0.5)
	17.4	17.3

Total administrative costs of \$17.4 million, after deduction of amounts capitalised as costs of immature planting, were broadly in line with 2022 notwithstanding losses on the disposal of fixed assets (arising to a substantial extent from the uprooting of old oil palm areas for replanting) that were \$0.9 million higher.

EBITDA amounted to \$43.6 million, a \$25.5 million reduction on the 2022 comparative of \$69.1 million. As expected, and as in previous years, EBITDA in the second half at \$28.1 million showed a significant improvement on the first half of \$15.5 million. However, the benefits of the customary higher

Strategic report

Finance

continued

crop levels in the second half and improved extraction rates were reduced by the lower average selling prices obtained.

Interest income was \$4.1 million in 2023 compared to \$5.3 million in 2022. \$3.2 million represented interest receivable from stone, sand and coal interests which was \$2.3 million higher than the interest so receivable in 2022, principally due to the higher interest receivable from the stone concession holding company and the absence of any provision against that interest (as stone production has now commenced). 2022 interest income benefited from the \$3.2 million reversal of the cumulative provision against prior year interest receivable from the coal concession holding company that was in production during 2022.

Losses on disposal of subsidiaries and similar charges totalling \$26.0 million were incurred in 2023. Of this amount, \$23.6 million reflected the impairment of the assets held for sale (CDM) and the effect of adjusting CDM's assets to their fair value (less costs to sell) amount with reference to the terms of the potential sale of CDM to DSN. The further \$2.4 million arose from the reorganisation of the REA Kaltim sub-group so as to simplify its structure and thereby reduce administrative costs. Details of the reorganisation, which was completed in the first quarter of 2024, are set out under Initiatives in the Introduction and strategic environment section of this Strategic report.

Other gains and losses in 2023 amounted to a loss of \$4.7 million compared to a \$14.7 million gain in 2022. \$4.2 million of the 2023 loss arose on exchange movements, principally in relation to sterling and rupiah borrowings (2022: \$14.2 million gain). There was also a \$0.4 million loss on the sale of the dollar notes held in treasury. In 2022 there was a gain of \$0.5 million on the extension of the redemption date of the dollar notes.

Finance costs for 2023 were \$17.5 million compared to \$19.3 million in 2022. Bank interest was \$1.2 million lower than in 2022 with interest rates on the Mandiri bank loans being maintained at 8.0 per cent for the whole of 2023, whereas in 2022 the interest rates were initially at 8.75 per cent and decreased over the course of the year. Bank interest was also lower due to the movement in exchange rates. Interest on other loans was \$0.5 million higher than in 2022 due to the higher interest rate on the variable interest rate loan of \$10.6 million from the non-controlling interest. Other finance charges were \$0.6 million lower than in 2022 due to lower amortisation of bank loan issuance costs. There was a \$0.9 million additional capitalisation of interest in 2023 compared to 2022 reflecting the greater area of immature plantings at year end.

Loss before taxation for 2023 was \$29.2 million, compared to a profit of \$42.0 million reported in 2022.

The tax credit for 2023 was \$11.6 million against a tax charge of \$9.2 million in 2022. The tax credit comprised a current tax charge of \$5.7 million (2022: \$9.0 million) and a deferred tax credit of \$17.2 million (2022: deferred tax charge of \$0.1 million). The \$3.3 million reduction in the current tax charge reflects lower overall profits from the plantation operations.

The principal components of the deferred tax credit were a \$10.6 million credit arising on the impairment of CDM in the local accounts of REA Kaltim and a \$4.6 million credit as a result of exchange movements.

Dividends

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

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

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

Capital structure

The group is financed by a combination of debt and equity (comprising ordinary and preference share capital). Total equity less non-controlling interests at 31 December 2023 amounted to \$219.8 million as compared with \$233.9 million at 31 December 2022. Non-controlling interests at 31 December 2023 amounted to \$14.3 million (2022: \$23.6 million).

The dollar notes as at 31 December 2022 comprised \$27.0 million nominal of 7.5 per cent dollar notes 2026 of which \$8.6 million nominal of dollar notes were held in treasury. On 28 June 2023 the entire holding of treasury held notes was sold at 95 per cent of their par value.

During 2023, Bank Mandiri provided additional facilities to the group by agreeing that REA Kaltim, SYB and KMS could draw short-term revolving borrowings against existing cash deposits maintained with the bank in accordance with the security provisions of the existing term loan and working capital facility agreements with the bank.

As noted under Initiatives in the Introduction and strategic environment section of this Strategic report, in November 2023, the group entered into a share subscription agreement with DSN. Pursuant to this agreement, the DSN group lent \$10 million to REA Kaltim by way of a pre-closing loan. At the same time, the \$10.6 million DSN group shareholder loan to CDM was reclassified as a liability relating to assets held for

sale. In December 2023, \$1.4 million of the shareholder loan from the DSN group to REA Kaltim was prepaid.

Following these developments, group indebtedness at 31 December 2023 amounted to \$192.4 million against which the group held cash and cash equivalents of \$14.2 million. The composition of the resultant net indebtedness of \$178.2 million was as follows:

	\$'m
Dollar notes (\$27.0 million nominal)*	26.6
Sterling notes (£30.9 million nominal)**	40.5
Loans from non-controlling shareholder	13.5
Indonesian term bank loans*	102.8
Drawings under working capital facilities	2.9
Short-term revolving borrowings	6.1
	192.4
Cash and cash equivalents	(14.2)
Net indebtedness	178.2

* Net of issue costs

** Net of issue costs plus \$1.4 million present value of premium on redemption

The group has no material contingent indebtedness save that, in connection with the development of oil palm plantings owned by village cooperatives and managed by the group, the group has, as noted under **Communities and smallholders** in the ESG section of this Strategic report above, guaranteed the Indonesian rupiah bank borrowings of the cooperatives concerned. The outstanding balance of these borrowings at 31 December 2023 was equivalent to \$4.6 million.

The dollar notes are unsecured obligations of the company and are repayable in a single instalment on 30 June 2026.

The sterling notes are issued by REAF, a wholly owned subsidiary of the company, are guaranteed by the company and REAS, and are secured almost wholly on unsecured loans made by REAS to Indonesian plantation operating subsidiaries of the company. The sterling notes are repayable in a single instalment on 31 August 2025 at a premium of £4 per £100 of notes.

Indonesian bank borrowings provided by Bank Mandiri at 31 December 2023 comprised rupiah denominated loans to REA Kaltim, SYB and KMS, rupiah denominated working capital facilities provided to REA Kaltim and SYB and rupiah denominated short term revolving borrowings provided to REA Kaltim, SYB and KMS.

REA Kaltim, SYB and KMS have agreed certain financial covenants under the terms of the bank facilities provided by Bank Mandiri relating to debt service coverage, debt equity ratio, gross margin and the maintenance of positive net income and positive equity; such covenants are tested annually upon delivery to Bank Mandiri of the audited financial statements of the borrowing companies in respect of each year, by reference to each of the borrowing companies' results for, and closing financial position as at the end of,

that year. For 2023, Bank Mandiri waived certain covenant testing requirements, such requirements being, as respects REA Kaltim, maintenance of positive net income and, as respects SYB, debt service coverage, gross margin and the maintenance of positive net income.

The REA Kaltim loan, working capital facility and short term revolving borrowings are secured on certain assets of REA Kaltim and are guaranteed by the company. The outstanding balance of the loan at 31 December 2023 was the equivalent of \$57.5 million. The loan is repayable as follows: 2024: \$9.9 million, 2025: \$11.1 million, 2026 to 2028: \$33.8 million and thereafter \$2.7 million. The working capital facility of \$1.9 million is subject to annual renewal. The short term revolving borrowing, which at 31 December 2023 amounted to \$3.2 million, is repayable monthly.

The SYB loans, working capital facility and short term revolving borrowings are secured on certain assets of SYB and are supported by a guarantee from the company. The outstanding balance of the loans at 31 December 2023 was the equivalent of \$30.5 million. That balance is repayable as follows: 2024: \$3.0 million, 2025: \$3.9 million, 2026 to 2028: \$16.8 million and thereafter \$6.7 million. The working capital facility of \$1.0 million is subject to annual renewal. The short term revolving borrowing, which at 31 December 2023 amounted to \$1.8 million, is repayable monthly.

The KMS loan and short term revolving borrowings are secured on certain assets of KMS and is guaranteed by the company. The outstanding balance of the loan at 31 December 2023 was the equivalent of \$18.5 million. The loan is repayable as follows: 2024: \$2.6 million, 2025: \$2.6 million, 2026 to 2028: \$9.7 million and thereafter \$3.6 million. The short term revolving borrowing, which at 31 December 2023 amounted to \$1.0 million, is repayable monthly.

The company has shareholder authority to buy back limited numbers of ordinary shares into treasury with the intention that, once a holding of a reasonable size has been accumulated, the holding be placed with one or more investors. No acquisitions pursuant to this authority were made in 2023, but 132,500 ordinary shares have been previously acquired and remain held in treasury.

Group cash flow

Group cash inflows and outflows are analysed in the consolidated cash flow statement. Cash and cash equivalents decreased during 2023 from \$21.9 million to \$14.2 million.

As noted under **Group results** above, the operating profit for 2023 amounted to \$14.8 million compared to \$41.4 million in the prior year. After adjusting for depreciation, amortisation and other non-cash items (\$30.8 million), operating cash flows before movements in working capital were \$45.6 million. There was a \$1.5 million decrease in working capital in 2023 compared to a \$19.6 million increase in 2022. The latter reflected the combination of substantial advance purchases of fertiliser, a longer than usual delay in VAT recoveries and the recognition of the payable in respect of the KLK settlement

Strategic report

Finance

continued

in relation to an adjustment to purchase consideration on the sale of a subsidiary in 2018. Cash generated by operations in 2023 was \$47.2 million compared to \$48.3 million in 2022.

There were \$2.2 million of net taxes paid during the year (2022: \$14.4 million). Interest paid amounted to \$15.4 million (2022: \$17.2 million).

Investing activities for 2023 involved a net outflow of \$35.4 million (2022: inflow of \$0.2 million). This represented new investment of \$43.8 million (2022: \$20.4 million), comprising expenditure of \$21.8 million (2022: \$19.1 million) on further development of the group's agricultural operations, \$5.1 million (2022: \$1.3 million) on land rights and titling and \$16.9 net investment (including funding of interest paid of \$2.1 million) in stone, sand and coal interests (2022: \$17.0 million net repayment from stone and coal interests). The new investments were offset by a net inflow of \$1.4 million in respect of the reorganisation of subsidiaries, interest received and proceeds on disposal of PPE totalling \$7.1 million (2022: offset by interest received and proceeds on disposal of PPE \$3.6 million).

The net cash outflow from financing activities amounted to \$1.3 million (2022: \$39.1 million) made up as follows:

	2023	2022
	\$'m	\$'m
Preference dividends paid	(4.1)	(16.5)
Repayments to non-controlling shareholder	(1.4)	(0.7)
Borrowings from non-controlling shareholder	10.0	-
Dividends to non-controlling shareholder	-	(1.5)
New equity from non-controlling interests	0.2	-
Sale / (purchase) of dollar notes held in treasury	8.1	(8.6)
Net movement in bank borrowings	(9.7)	(8.8)
Net movement in other borrowings	(2.8)	(3.0)
Purchase of non-controlling interest	(1.6)	-
	(1.3)	(39.1)

Liquidity and financing development

2023 cash flow included a reduction in working capital of \$1.5 million compared to a \$19.6 million increase in 2022. The latter reflected, among other things, advance purchases of fertiliser and delayed recovery of VAT. As a result, despite reduced revenue in 2023 of \$32.1 million due to lower average CPO prices, cash generated by operations of \$47.2 million was in line with 2022 (\$48.3 million).

Closing, in March 2024, of the agreed subscription by the DSN group of additional shares in REA Kaltim (to increase the DSN group's interest in REA Kaltim from 15 per cent to 35 per cent) has resulted in a cash inflow to the group of some \$50 million with further monies, estimated at around \$5 million, still to be received when the amount of the subscription is finalised following completion of the audit of REA Kaltim's 2023 financial statements. Of the subscription monies, \$10.0 million was applied in repaying the DSN group pre-closing loan to REA Kaltim with the balance to be utilised in reducing group indebtedness.

As a term of the agreement for DSN to increase its interest in REA Kaltim, DSN has agreed to provide additional loans to the group of some \$15 million of which the amount immediately due in March 2024 of some \$4.6 million has been received. If, as is planned, CDM is sold, either to DSN or to a third party, the group can reasonably expect a further net cash inflow of some \$16 million.

In March 2024, Bank Mandiri approved a further loan to REA Kaltim of the equivalent of \$22.1 million to fund a proportion of the replanting programme. The interest rate is 8.0 per cent in line with the other term loans. \$6.5 million was drawn down at the end of March, and further drawdowns may be made at six monthly intervals once verified by an independent valuation consultant. The loan will be repaid over the period 2028 to 2034.

The foregoing improvements in the group's liquidity will assist the group in meeting the repayments of bank term loans due in 2024 of \$15.6 million, funding the \$10.5 million cost of paying the outstanding arrears of preference dividend amounting in aggregate to 11.5p per share (which as noted under Dividends above were paid in April 2024), meeting the repayments due in 2024 on loans from the DSN group of \$1.4 million and continuing to reduce the funding provided by the group's customers in exchange for forward commitments of CPO and CPKO. Such funding was reduced by some \$9 million in 2023 and the group aims to pay off the balance of the funding of some \$17 million by the end of 2025.

These initiatives, together with the reorganisation of subsidiaries during 2023 and January 2024, have simplified the structure of the group and will thereby reduce administrative costs.

Capital expenditure in 2024 and the immediately following years is likely to be maintained at not less than \$20 million, as the group progresses its extension planting programme in PU, accelerates replanting of older oil palm areas in REA Kaltim, invests further in its housing stock and continues a programme of stoning the group's extensive road network to improve the durability of roads in periods of heavy rain. The \$22.1 million loan to REA Kaltim referred to above will reduce the amount of self-generated cash flow immediately needed to fund such capital expenditure. Additionally, discussions with Bank Mandiri to provide a development loan to fund the costs of the extension planting programme in PU are being progressed.

CPO prices have increased steadily since June 2023 from a low of \$855 to the current price of \$1,015. The group can reasonably expect that CPO and CPKO prices will remain at remunerative levels for the foreseeable future and that the group will progressively achieve increasing sustainability premia on its oil sales. Whilst some cost inflation is unavoidable, the group believes that efficiency initiatives, including the administrative savings from the now completed reorganisation of subsidiaries and the prospective savings if CDM is successfully divested, coupled with the benefits of the continuing capital investment programme, will limit cost increases. With reduced financing costs resulting from

reduction in borrowings, the group therefore expects that its plantation operations can contribute to further reduction in borrowings.

During 2023 there was significant investment in the group's stone and sand interests. Production of stone has now started and it is expected that production of sand will start during 2024. Accordingly, both activities can be expected to generate positive cash flow for the group in 2024 and going forward.

With these prospective improvements in liquidity, the group can look forward to reporting a strengthened financial position at the end of 2024 with significantly lower net indebtedness. Going forward, the directors' strategy for the group will be to derive maximum value from the ancillary interests in stone and sand and to use such extracted value, supplemented by the cash flow from the core oil palm business, further to reduce group net indebtedness while continuing to invest in improvements to and the expansion of the oil palm operations.

The group's oil palms fruit continuously throughout the year, but crops are generally weighted to the second half of each year. This results in some seasonality in the funding requirements of the agricultural operations with cash generation greater in the second half of the year than the first.

Financing policies

The directors believe that, in order to maximise returns to holders of the company's ordinary shares, a proportion of the group's funding needs should be met with prior ranking capital, namely borrowings and preference share capital. The latter has the particular advantage that it represents relatively low risk permanent capital and, to the extent that such capital is available, the directors believe that it is to be preferred to debt.

Whilst the directors retain the above stated policy regarding borrowings, they recognise that further debt reduction will be needed to bring the group's capital structure into line with the policy.

Net debt was 76.1 per cent of total shareholder funds at 31 December 2023 compared with a level of 64.7 per cent at 31 December 2022. The total net debt at 31 December 2022 amounted to \$178.2 million compared with the position at 31 December 2022 of \$166.7 million.

The sterling notes and the dollar notes carry interest at fixed rates of, respectively, 8.75 and 7.5 per cent per annum (the sterling notes are also entitled to a 4.0 per cent premium on final redemption). Interest is currently payable on the rupiah term bank loans and working capital facilities at the rate of 8.0 per cent per annum. The rupiah short term revolving borrowings bear interest at a rate of 0.5 per cent above the deposit interest rate applicable to the cash deposits against which these borrowings are secured. This currently results in a rate of 3.0 per cent per annum. A 1.0 per cent increase in the floating rates of interest payable on the group's floating or variable rate borrowings at 31 December 2023 would have resulted in an additional annual cost to the group of approximately \$1.0 million (2022: \$1.1 million).

The group regards the dollar as the functional currency of most of its operations. The directors believe that the group will be best served going forward by simply maintaining a balance between its borrowings in different currencies and avoiding currency hedging transactions. Accordingly, the group regards some exposure to currency risk on its non-dollar borrowings as an inherent and unavoidable risk of its business. The group has never covered, and does not intend in future to cover, the currency exposure in respect of the component of the investment in its operations that is financed with sterling denominated shareholder capital.

The group's policy is to maintain a cash balance in sterling sufficient to meet its projected sterling expenditure for a period of between six and twelve months and a cash balance in rupiah sufficient to cover its forthcoming rupiah debt service obligations and short term rupiah denominated operating expenditure.

Strategic report

Principal risks and uncertainties

The group's business involves risks and uncertainties. Those risks and uncertainties that the directors currently consider to be material or prospectively material are described below. There are or may be other risks and uncertainties faced by the group (such as future natural disasters or acts of God) that the directors currently deem immaterial, or of which they are unaware, that may have a material adverse impact on the group.

Identification, assessment, management and mitigation of the risks associated with ESG matters forms part of the group's system of internal control for which the board has ultimate responsibility. The board discharges that responsibility as described in Corporate governance below.

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

Climate change represents a particular risk both for the potential impacts of the group's operations on the climate and the effects of climate change on the group's operations. The group has been monitoring and working to minimise its GHG emissions for over ten years, with levels of GHG emissions an established key performance indicator for the group and for accreditation by the independent certification bodies to which the group subscribes. The group has made a commitment to achieve a 50 per cent reduction in net GHG emissions by 2030 and to work towards the longer term objective of net-zero emissions by 2050. In furtherance of these commitments, the group's CCWG, under the direction of the chief sustainability officer, is tasked with identifying and quantifying emission sources across all of the group's operations and with developing actions, priorities and timelines for emission reductions. The group signed up to the SBTi in early 2023 with the aim of following the science to frame the group's actions to reduce carbon emissions. Science-based targets demonstrate how much and how quickly the group needs to reduce its GHG emissions in line with what is deemed necessary to meet the goals of the Paris Agreement, that is aimed at limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit global warming to 1.5°C. In addition to reporting on energy consumption and efficiency in accordance with the UK government's SECR framework, the group also includes disclosures in accordance with the TCFD recommendations in this annual report.

Material risks, related policies and the group's successes and failures with respect to ESG matters and the measures taken in response to any failures are described in more detail under Environmental, social and governance above. Where risks are reasonably capable of mitigation, the group seeks to mitigate them. Beyond that, the directors endeavour to manage the group's finances on a basis that leaves the group with some capacity to withstand adverse impacts from both identified and unidentified areas of risk, but such management cannot provide insurance against every possible eventuality.

The effect of an adverse incident relating to the stone and sand interests, as referred to below, could impact the ability of the concession holding companies to repay their loans. As noted elsewhere in the Strategic report, the active coal concession has been largely mined out and it is the group's intention to withdraw from its coal interests. Accordingly, coal interests are no longer considered to represent a principal risk for the group.

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

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

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

The directors' assessment, as respects produce prices, reflects the key importance of those risks in relation to the matters considered in the Viability statement in the Directors' report below and, as respects climatic and other operational factors, the negative impact that could result from adverse incidence of such risks.

Risk	Potential impact	Mitigating or other relevant considerations
Agricultural operations		
Climatic factors		
Material variations from the norm in climatic conditions	A loss of crop or reduction in the quality of harvest resulting in loss of potential revenue	Over a long period, crop levels should be reasonably predictable
Unusually low levels of rainfall that lead to a water availability below the minimum required for the normal development of the oil palm	A reduction in subsequent crop levels resulting in loss of potential revenue; the reduction is likely to be broadly proportional to the cumulative size of the water deficit	Operations are located in an area of high rainfall. Notwithstanding some seasonal variations, annual rainfall is usually adequate for normal development
Overcast conditions	Delayed crop formation resulting in loss of potential revenue	Normal sunshine hours in the location of the operations are well suited to the cultivation of oil palm
Material variations in levels of rainfall disrupting either river or road transport	Inability to obtain delivery of estate supplies or to evacuate CPO and CPKO (possibly leading to suspension of harvesting)	The group has established a permanent downstream loading facility, where the river is tidal. Construction of a second downstream loading facility as currently under discussion would further improve transport resilience. In addition, road access between the ports of Samarinda and Balikpapan and the estates offers a viable alternative route for transport with any associated additional cost more than outweighed by avoidance of the potential negative impact of disruption to the business cycle by any delay in evacuating CPO and CPKO
Cultivation risks		
Failure to achieve optimal upkeep standards	A reduction in harvested crop resulting in loss of potential revenue	The group has adopted standard operating practices designed to achieve required upkeep standards
Pest and disease damage to oil palms and growing crops	A loss of crop or reduction in the quality of harvest resulting in loss of potential revenue	The group adopts best agricultural practice to limit pests and diseases
Other operational factors		
Shortages of necessary inputs to the operations, such as fuel and fertiliser	Disruption of operations or increased input costs leading to reduced profit margins	The group maintains stocks of necessary inputs to provide resilience and has established biogas plants to improve its self-reliance in relation to fuel. Construction of a further biogas plant in due course would increase self-reliance and reduce costs as well as GHG emissions
High levels of rainfall or other factors restricting or preventing harvesting, collection or processing of FFB crops	FFB crops becoming rotten or over ripe leading either to a loss of CPO production (and hence revenue) or to the production of CPO that has an above average free fatty acid content and is saleable only at a discount to normal market prices	The group endeavours to employ a sufficient complement of harvesters within its workforce to harvest expected crops, to provide its transport fleet with sufficient capacity to collect expected crops under likely weather conditions and to maintain resilience in its palm oil mills with each of the mills operating separately and some ability within each mill to switch from steam based to biogas or diesel based electricity generation
Disruptions to river transport between the main area of operations and the Port of Samarinda or delays in collection of CPO and CPKO from the transshipment terminal	The requirement for CPO and CPKO storage exceeding available capacity and forcing a temporary cessation in FFB harvesting or processing with a resultant loss of crop and consequential loss of potential revenue	The group's bulk storage facilities have sufficient capacity for expected production volumes and, together with the further storage facilities afforded by the group's fleet of barges, have hitherto always proved adequate to meet the group's requirements for CPO and CPKO storage.
Occurrence of an uninsured or inadequately insured adverse event; certain risks (such as crop loss through fire or other perils), for which insurance cover is either not available or is considered disproportionately expensive, are not insured	Material loss of potential revenues or claims against the group	The group maintains insurance at levels that it considers reasonable against those risks that can be economically insured and mitigates uninsured risks to the extent reasonably feasible by management practices

Strategic report

Principal risks and uncertainties

continued

Risk	Potential impact	Mitigating or other relevant considerations
Produce prices		
Volatility of CPO and CPKO prices which as primary commodities may be affected by levels of world economic activity and factors affecting the world economy, including levels of inflation and interest rates	Reduced revenue from the sale of CPO and CPKO and a consequent reduction in cash flow	Swings in CPO and CPKO prices should be moderated by the fact that the annual oilseed crops account for the major proportion of world vegetable oil production and producers of such crops can reduce or increase their production within a relatively short time frame
Restriction on sale of the group's CPO and CPKO at world market prices including restrictions on Indonesian exports of palm products and imposition of high export charges	Reduced revenue from the sale of CPO and CPKO and a consequent reduction in cash flow	The Indonesian government applies sliding scales of charges on exports of CPO and CPKO, which are varied from time to time in response to prevailing prices, and has, on occasions, placed temporary restrictions on the export of CPO and CPKO; several such measures were introduced in 2022 in response to generally rising prices precipitated by the war in the Ukraine but, whilst impacting prices in the short term, were subsequently modified to afford producers economic margins. The export levy charge funds biodiesel subsidies and thus supports the local price of CPO
Disruption of world markets for CPO and CPKO by the imposition of import controls or taxes in consuming countries	Depression of selling prices for CPO and CPKO if arbitrage between markets for competing vegetable oils proves insufficient to compensate for the market disruption created	The imposition of controls or taxes on CPO or CPKO in one area can be expected to result in greater consumption of alternative vegetable oils within that area and the substitution outside that area of CPO and CPKO for other vegetable oils
Expansion		
Failure to secure in full, or delays in securing, the land or funding required for the group's planned extension planting programme	Inability to complete, or delays in completing, the planned extension planting programme with a consequential reduction in the group's prospective growth	The group holds significant fully titled or allocated land areas suitable for planting. It works continuously to maintain permits for the planting of these areas and aims to manage its finances to ensure, in so far as practicable, that it will be able to fund any planned extension planting programme
A shortfall in achieving the group's planned extension planting programme negatively impacting the continued growth of the group	A possible adverse effect on market perceptions as to the value of the group's securities	The group maintains flexibility in its planting programme to be able to respond to changes in circumstances
Climate change		
Changes to levels and regularity of rainfall and sunlight hours	Reduced production	A negative effect on production would similarly affect many other oil palm growers in South East Asia leading to a reduction in CPO and CPKO supply, which would be likely to result in higher prices for CPO and CPKO in turn providing at least some offset against reduced production
Increase or decrease in water levels in the rivers running through the estates	Increasing requirement for bunding or loss of plantings in low lying areas susceptible to flooding	Less than ten per cent of the group's existing plantings are in low lying or flood prone areas. These areas are being bunded, subject to environmental considerations
Environmental, social and governance practices		
Failure by the agricultural operations to meet the standards expected of them as a large employer of significant economic importance to local communities	Reputational and financial damage	The group has established standard practices designed to ensure that it meets its obligations, monitors performance against those practices and investigates thoroughly and takes action to prevent recurrence in respect of any failures identified

Risk	Potential impact	Mitigating or other relevant considerations
Criticism of the group's environmental practices by conservation organisations scrutinising land areas that fall within a region that in places includes substantial areas of unspoilt primary rain forest inhabited by diverse flora and fauna	Reputational and financial damage	The group is committed to sustainable development of oil palm and has obtained RSPO certification for most of its current operations. All group oil palm plantings are on land areas from which logs have previously been extracted by logging companies and which have subsequently been zoned by the Indonesian authorities as appropriate for agricultural development. The group maintains substantial conservation reserves that safeguard landscape level biodiversity
Community relations		
A material breakdown in relations between the group and the host population in the area of the agricultural operations	Disruption of operations, including blockages restricting access to oil palm plantings and mills, resulting in reduced and poorer quality CPO and CPKO production	The group seeks to foster mutually beneficial economic and social interaction between the local villages and the agricultural operations. In particular, the group gives priority to applications for employment from members of the local population, encourages local farmers and tradesmen to act as suppliers to the group, its employees and their dependents and promotes smallholder development of oil palm plantings
Disputes over compensation payable for land areas allocated to the group that were previously used by local communities for the cultivation of crops or as respects which local communities otherwise have rights	Disruption of operations, including blockages restricting access to the area the subject of the disputed compensation	The group has established standard procedures to ensure fair and transparent compensation negotiations and encourages the local authorities, with whom the group has developed good relations and who are therefore generally supportive of the group, to assist in mediating settlements
Individuals party to a compensation agreement subsequently denying or disputing aspects of the agreement	Disruption of operations, including blockages restricting access to the areas the subject of the compensation disputed by the affected individuals	Where claims from individuals in relation to compensation agreements are found to have a valid basis, the group seeks to agree a new compensation arrangement; where such claims are found to be falsely based the group encourages appropriate action by the local authorities
Stone and sand interests		
Operational factors		
Failure by external contractors to achieve agreed production volumes with optimal extraction rates	Under recovery of receivables	The stone and sand concession holding companies endeavour to use experienced contractors, to supervise them closely and to take care to ensure that they have equipment of capacity appropriate for the planned production volumes
Delays to securing the required mining licences by the sand concession holding company	Delays to recovery of receivables and commencement of mining	The group is assisting the sand concession holding company to meet the recent changed regulatory requirements and in the meanwhile is financing pre-production costs to ensure that mining commences as soon as permissible
External factors, in particular weather, delaying or preventing delivery of extracted stone and sand	Delays to or under recovery of receivables	Adverse external factors would not normally have a continuing impact for more than a limited period
Geological assessments, which are extrapolations based on statistical sampling, proving inaccurate	Unforeseen extraction complications causing cost overruns and production delays or failure to achieve projected production resulting in under recovery of receivables	The stone and sand concession holding companies seek to ensure the accuracy of geological assessments of any extraction programme

Strategic report

Principal risks and uncertainties

continued

Risk	Potential impact	Mitigating or other relevant considerations
Prices		
Local competition reducing stone and sand prices	Reduced revenue and a consequent reduction in recovery of receivables	There are currently no other stone quarries of similar quality or volume in the vicinity of the stone concessions and the cost of transporting stone should restrict competition. Third parties are showing a keen demand for both stone and the quartz sand
Imposition of additional royalties or duties on the extraction of stone or sand or imposition of export restrictions	Reduced revenue and a consequent reduction in recovery of receivables	The Indonesian government has not to date imposed measures that would seriously affect the viability of Indonesian stone and sand quarrying operations notwithstanding the imposition of some temporary limited export restrictions in response to the exceptional circumstances relating to the war in Ukraine
Unforeseen variations in quality of deposits	Inability to supply product within the specifications that are, at any particular time, in demand, with reduced revenue and a consequent reduction in recovery of receivables	Geological assessments ahead of commencement of extraction operations should have identified any material variations in quality
Environmental, social and governance practices		
Failure by the stone and sand interests to meet the standards expected of them	Reputational and financial damage	The areas of the stone and sand concessions are relatively small and should not be difficult to supervise. The concession holding companies are committed to international standards of best environmental and social practice and, in particular, to proper management of waste water and reinstatement of quarried and mined areas on completion of extraction operations
Climate change		
High levels of rainfall	Disruptions to mining or quarrying operations and road transport	The concession holding companies are working with experienced, large contracting companies that are able to deploy additional equipment in order to meet production and transportation targets during periods of higher rainfall
General		
IT security		
IT related fraud including cyber-attacks that are becoming increasingly prevalent and sophisticated	Losses as a result of disruption of control systems and theft	The group's IT controls and financial reporting systems and procedures are independently audited and tested annually and recommendations for corrective actions to enhance controls are implemented accordingly. A malware attack in December 2023, that had compromised the group's systems prior to implementation of some enhanced control processes and procedures earlier in the year, did not affect the group's ability to continue its normal operations and to maintain control over the group's finances and risks, notwithstanding some disruption
Currency		
Strengthening of sterling or the rupiah against the dollar	Adverse exchange movements on those components of group costs and funding that arise in rupiah or sterling	As respects costs and sterling denominated shareholder capital, the group considers that the risk of adverse exchange movements is inherent in the group's business and structure and must simply be accepted. As respects borrowings, where practicable the group seeks to borrow in dollars but, when borrowing in sterling or rupiah, considers it better to accept the resultant currency risk than to hedge that risk with hedging instruments

Risk	Potential impact	Mitigating or other relevant considerations
Cost inflation		
Increased costs as result of worldwide economic factors or shortages of required inputs (such as shortages of fuel or fertiliser arising from the wars)	Reduction in operating margins	Cost inflation is likely to have a broadly equal impact on all oil palm growers and may be expected to restrict CPO supply if production of CPO becomes uneconomic. Cost inflation can only be mitigated by improved operating efficiency
Funding		
Bank debt repayment instalments and other debt maturities coincide with periods of adverse trading and negotiations with bankers and investors are not successful in rescheduling instalments, extending maturities or otherwise concluding satisfactory refinancing arrangements	Inability to meet liabilities as they fall due	The group maintains good relations with its bankers and other holders of debt who have generally been receptive to reasonable requests to moderate debt profiles or waive covenants when circumstances require. Such was the case, for example, when certain breaches of bank loan covenants by group companies at 31 December 2020 and 2023 were waived. Moreover, the directors believe that the fundamentals of the group's business will normally facilitate procurement of additional equity capital should this prove necessary
Counterparty risk		
Default by a supplier, customer or financial institution	Loss of any prepayment, unpaid sales proceeds or deposit	The group maintains strict controls over its financial exposures which include regular reviews of the creditworthiness of counterparties and limits on exposures to counterparties. In addition, 90 per cent of sales revenue is receivable in advance of product delivery
Regulatory exposure		
New, and changes to, laws and regulations that affect the group (including, in particular, laws and regulations relating to land tenure, work permits for expatriate staff and taxation)	Restriction on the group's ability to retain its current structure or to continue operating as currently	The directors are not aware of any specific planned changes that would adversely affect the group to a material extent; current regulations restricting the size of oil palm growers in Indonesia will not impact the group for the foreseeable future
Breach of the various continuing conditions attaching to the group's land rights and the stone and sand concessions (including conditions requiring utilisation of the rights and concessions) or failure to maintain or renew all permits and licences required for the group's operations	Civil sanctions and, in an extreme case, loss of the affected rights or concessions	The group endeavours to ensure compliance with the continuing conditions attaching to its land rights and concessions and that its activities and the activities of the stone and sand concession holding companies are conducted within the terms of the licences and permits that are held and that licences and permits are obtained and renewed as necessary
Failure by the group to meet the standards expected in relation to human rights, slavery, anti-bribery and corruption	Reputational damage and criminal sanctions	The group has traditionally had, and continues to maintain, strong controls in this area because Indonesia, where all of the group's operations are located, has been classified as relatively high risk by the International Transparency Corruption Perceptions Index
Restrictions on foreign investment in Indonesian mining concessions, limiting the effectiveness of co-investment arrangements with local partners	Constraints on the group's ability to recover its investment	The group endeavours to maintain good relations with the local partners in the group's mining interests so as to ensure that returns appropriately reflect agreed arrangements

Strategic report

Principal risks and uncertainties

continued

Risk	Potential impact	Mitigating or other relevant considerations
Country exposure		
Deterioration in the political or economic situation in Indonesia	Difficulties in maintaining operational standards particularly if there was a consequential deterioration in the security situation	In the recent past, Indonesia has been stable and the Indonesian economy has continued to grow but, in the late 1990s, Indonesia experienced severe economic turbulence and there have been subsequent occasional instances of civil unrest, often attributed to ethnic tensions, in certain parts of Indonesia. The group has never, since the inception of its East Kalimantan operations in 1989, been adversely affected by regional security problems
Introduction of exchange controls or other restrictions on foreign owned operations in Indonesia	Restriction on the transfer of fees, interest and dividends from Indonesia to the UK with potential consequential negative implications for the servicing of UK obligations and payment of dividends; loss of effective management control	The directors are not aware of any circumstances that would lead them to believe that, under current political conditions, any Indonesian government authority would impose restrictions on legitimate exchange transfers or otherwise seek to restrict the group's freedom to manage its operations
Mandatory reduction of foreign ownership of Indonesian plantation or mining operations	Forced divestment of interests in Indonesia at below market values with consequential loss of value	The group accepts there is a possibility that foreign owners may be required over time to divest partially ownership of Indonesian oil palm operations and there are existing regulations that may result in a requirement to divest over an extended period part of the substantial equity participation in the stone concession holding company that the group proposes to acquire but the group has no reason to believe that any divestment would be at anything other than market value
Miscellaneous relationships		
Disputes with staff and employees	Disruption of operations and consequent loss of revenues	The group appreciates its material dependence upon its staff and employees and endeavours to manage this dependence in accordance with international employment standards as detailed under Employees in Environmental, social and governance above
Breakdown in relationships with local investors in the group's Indonesian subsidiaries	Reliance on the Indonesian courts for enforcement of the agreements governing its arrangements with local partners with the uncertainties that any juridical process involves and with any failure of enforcement likely to have, in particular, a material negative impact on the value of the stone and sand interests because those concessions are, currently, legally owned by the group's local partners	The group endeavours to maintain cordial relations with its local investors by seeking their support for decisions affecting their interests and responding constructively to any concerns that they may have. Further, the group now intends to exercise its rights to acquire substantial equity participation in the stone concession holding company and, when the substantive permits have been obtained, to implement the previously agreed joint venture agreement with the sand concession holding company

DocuSigned by:

David Blackett

1238529C6924455...

Approved by the board on 24 April 2024 and signed on behalf of the board by

DAVID J BLACKETT

Chairman

Governance

Board of directors**David Blackett | Chairman (independent)**

Committees: nomination (chairman) and remuneration

David Blackett was appointed a non-executive director in July 2008. After qualifying as a chartered accountant in Scotland, he worked for over 25 years in South East Asia, where he concluded his career as chairman of AT&T Capital Inc's Asia Pacific operations. Previously, he was a director of an international investment bank with responsibility for the bank's South East Asian operations and until October 2014 served as an independent non-executive director of South China Holdings Limited (now Orient Victory China Holdings Limited), a company listed on the Hong Kong Stock Exchange. He was appointed chairman in January 2016 following the retirement of Richard Robinow from that position.

Mieke Djalil | Non-executive director

Mieke Djalil was appointed as a non-executive director in July 2022. Mieke is an Indonesian national residing in Indonesia, with over 35 years of experience in business process improvement and project management. She was educated in the USA, graduating with a Bachelor of Business Administration and started her career as an auditor with Ernst & Young. She then moved to PwC Consulting which subsequently became part of IBM. Since leaving IBM as a Partner and Country General Manager of the Business Consulting Services, Mieke has worked as an advisor for, and director of, various Indonesian companies, specialising in IT, systems, and business transformation. Mieke is currently an independent commissioner of PT Chubb General Insurance Indonesia, a non-executive director of Pure DC in Jakarta, and a member of the audit committees of PT Bank Permata Tbk and the University of Indonesia.

Carol Gysin | Executive director

Carol Gysin was appointed to the board as managing director in February 2017. Based in London, she had previously worked for the group for over eight years as group company secretary, with increasing involvement in the operational areas of the business, including making regular visits to the group's offices and plantation estates in Indonesia. Prior to joining the group, Carol worked as company secretary to a telecommunications company, Micadant plc (formerly, Ionica Group plc, listed in London and on NASDAQ), to a medical devices company, Weston Medical plc, as well as to a number of early-stage technology companies, following an initial career in investment banking in London and Geneva.

John Oakley | Non-executive director

After early experience in investment banking and general management, John Oakley joined the group in 1983 as divisional managing director of the group's then horticultural operations. He was appointed to the main board in 1985 and in the early 1990s took charge of the day to day management of the group's then embryonic East Kalimantan agricultural operations. He was appointed managing director in 2002 and, until the appointment of a regional executive director in 2013, was the sole executive director of the group. He retired as managing director in January 2016 but remains on the board as a non-executive director.

Richard Robinow | Non-executive director

Richard Robinow was appointed a director in 1978 and became chairman in 1984. Following his seventieth birthday, he retired from the chairmanship in January 2016. He remains on the board as a non-executive director and undertakes some additional responsibilities particularly as respects the financing of the group. After early investment banking experience, he has been involved for nearly 50 years in the plantation industry. He is a non-executive director of a Kenyan plantation company, REA Vipingo Plantations Limited, substantially all of the shares in which are indirectly owned by his family and which is principally engaged in growing sisal in Kenya and Tanzania.

Rizal Satar | Independent non-executive director

Committees: audit and remuneration

Rizal Satar was appointed to the board in December 2018. He lives in Indonesia and is an Indonesian national, educated in the United States and Belgium where he majored in computer science, accounting and finance. Rizal previously worked for 20 years for PwC, as a director/senior partner in Advisory Services. Prior to joining PwC, he worked for various companies in Indonesia specialising in finance, leasing and computer systems. Rizal is also an independent commissioner (the Indonesian equivalent of a non-executive director) of two Indonesian-based companies: PT Centratama Telekomunikasi Indonesia Tbk, a company listed on the Indonesia Stock Exchange and engaged in the provision of infrastructure for cellular networks and broadband internet services, where he is also head of the audit committee; and PT FWD Asset Management, a fund management company owned by FWD Insurance, part of the Asian-based private investment Pacific Century Group, which has interests in technology, media and telecommunications, financial services and property.

Michael St. Clair-George | Senior independent non-executive director

Committees: audit (chairman), nomination, remuneration (chairman)

Michael St. Clair-George was appointed to the board in October 2016. He is a fellow of the Institute of Chartered Accountants in England & Wales. He has over 40 years' experience in the plantation and agribusiness industries in Malaysia and Indonesia, having worked for some 25 years in the Far East, initially as financial controller of the Harrison's & Crosfield group Malaysian plantations (becoming finance director of Harrison's Malaysian Plantations Berhad on that company taking over ownership of such plantations) and, after that, as president director of Sipef NV's Indonesian operations. He then spent 10 years as managing director of Sipef NV, based in Belgium. Retiring from this position in 2007 and returning to London, he served until 2013 as senior non-executive director and chairman of the audit committee of New Britain Palm Oil Limited, a company then listed in London.

Governance

Directors' report

The directors present their annual report on the affairs of the group, together with the financial statements and independent auditor's report, for the year ended 31 December 2023. The Corporate governance report below forms part of this report.

As detailed under **Initiatives** in the **Strategic report**, in March 2024 the DSN group increased its interest in the group's principal operating subsidiary, REA Kaltim, from 15 per cent to 35 per cent pursuant to a share subscription agreement dated 2 November 2023 between the REA and DSN groups (as detailed in the company's circular to shareholders dated 25 January 2024). Additionally, the intra-group sale and purchase of PU from SYB to the company was completed in March 2024. Further information regarding the consequent changes to the group structure is set out in the **Strategic report** above, together with an indication of likely future developments in the business of the company.

Save as regards the above, there are no significant events since 31 December 2023 to be disclosed.

Financial instruments

Information about the use of financial instruments by the company and its subsidiaries is given in note 26 to the consolidated financial statements.

Results and dividends

The results are presented in the consolidated income statement and notes thereto.

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

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

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

Viability statement

The group's business activities, together with the factors likely to affect its future development, performance and financial position are described in the **Strategic report** above which also provides (under the heading **Finance**) a description of the group's cash flow, liquidity and financing development and treasury policies. In addition, note 26 to the group financial statements includes information as to the group's policy, objectives, and processes for managing capital, its financial risk management objectives, details of financial instruments and hedging policies and exposures to credit and liquidity risks.

The **Principal risks and uncertainties** section of the **Strategic report** describes the material risks faced by the group and actions taken to mitigate those risks. In particular, there are risks associated with the group's local operating environment and the group is materially dependent upon selling prices for CPO and CPKO over which it has no control.

The group has material indebtedness in the form of bank loans and listed notes. All of the listed notes fall due for repayment by 30 June 2026 and, for this reason, the directors have chosen the period to 31 December 2026 for their assessment of the long term viability of the group.

The group's present level of indebtedness reflects a number of challenges that have confronted the group in recent years. Over the period 2015 to 2017, group crops fell considerably short of the levels that had been expected. The reasons for this were successfully identified and addressed but, as crops recovered to better levels, the group had to contend with falling CPO prices. The resultant negative cash flow impact over several years had to be financed and led to the group assuming greater debt obligations than it would have liked.

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

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

Capital expenditure in 2024 and the immediately following years is likely to be maintained at not less than \$20 million per annum as the group progresses its extension planting programme in PU, accelerates replanting of older oil palm areas in REA Kaltim, invests further in its housing stock and continues a programme of stoning the group's extensive road network to improve the durability of roads in periods of heavy rain.

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

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

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

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

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

Following significant investment in the group's stone and sand interests during 2023, production of stone has now started and it is expected that production of sand will follow within

2024. Accordingly, both activities are expected to return cash to the group in 2024 and going forward.

Taking account of the cash already held by the group at 31 December 2023 of \$14.2 million and the prospective cash inflows from the DSN group's subscription of additional shares in REA Kaltim and the planned divestment of CDM, combined with cash flow from the oil palm operations and sand and stone interests, cash available to the group should be sufficient progressively to reduce the group's indebtedness while meeting the other prospective demands on group cash referred to above. If CPO and CPKO prices remain at favourable levels, the group may have sufficient cash to meet the listed debt redemptions falling due in 2025 and 2026 in full but, should this not be the case, the directors are confident that the improvements in the financial position of the group that are now occurring will be such that any shortfalls can be successfully refinanced at the relevant times.

Based on the foregoing, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the period to 31 December 2026 and to remain viable during that period.

Going concern

Factors likely to affect the group's future development, performance and financial position are described in the **Strategic report**. The directors have carefully considered those factors, together with the principal risks and uncertainties faced by the group which are set out in the **Principal risks and uncertainties** section of the **Strategic report** and have reviewed key sensitivities which could impact on the liquidity of the group.

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

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

Having regard to the foregoing, based on the group's forecasts and projections (taking into account reasonable possible changes in trading performance and other uncertainties) and having regard to the group's cash position and available

Governance

Directors' report

continued

borrowings, the directors expect that the group should be able to operate within its available borrowings for at least 12 months from the date of approval of the financial statements.

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

Climate change

Climatic factors are integral to the group's agricultural operations. The directors acknowledge both the importance of climate change as a risk for the group's operations (as considered under **Principal risks and uncertainties** in the **Strategic report**) and the potential impacts of the operations on the climate. Responsibility for oversight of the group's approach to climate-related risks and opportunities resides with the managing director supported by the recommendations of the president director and the chief sustainability officer both of whom are based in the region of the group's operations. The enhanced role of chief sustainability officer, who was appointed at the start of 2024, is intended to drive forward the group's ESG objectives and commitment to reducing GHG emissions.

The group seeks to mitigate the negative impacts of its business on the environment through its commitment to sustainable practices. The group's policy framework underpins this commitment and the group's desire to remain at the forefront of sustainable palm oil production. The certification schemes in which the group's performance is measured, and which focus particularly on environmental impacts, provide independent verification that the group is operating in accordance with national and international standards.

The group has been monitoring and reporting its carbon footprint using the PalmGHG tool developed by the RSPO for over ten years, with GHG emissions per tonne of CPO and per planted hectare being long established key performance indicators for the group, as reported under **Evaluation of performance** in the **Strategic report**. Going forward, the group intends to adopt the now widely accepted international GHG Corporate Standard for calculating and reporting the group's GHG emissions, although the PalmGHG tool may continue to be used for the purposes of certification schemes for palm oil.

The group has developed an implementation roadmap framed by a series of principles and procedures to evaluate and address climate-related risks and opportunities related to the group's business and the wider community. In 2022 the group made a commitment to achieve a 50 per cent reduction in net GHG emissions by 2030 and to work towards the longer term objective of net-zero emissions by 2050. In furtherance of these commitments, the group's CCWG, under the direction of the chief sustainability officer, is tasked with identifying and quantifying emission sources across all of the group's operations and with developing actions, priorities and timelines for emission reductions. The group signed up to the SBTi in early 2023 with the aim of following the science to frame

the group's actions to reduce carbon emissions. Science-based targets demonstrate how much and how quickly the group needs to reduce its GHG emissions in line with what is deemed necessary to meet the goals of the Paris Agreement, that is limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit global warming to 1.5°C.

Detailed information regarding sustainability, the environment, and energy and carbon disclosures (SECR) is provided in the ESG section of the **Strategic report** and at www.rea.co.uk/ESG. TCFD are set out in the **Introduction and strategic environment** section of the **Strategic report**.

Control and structure of capital

Details of the company's share capital are set out in note 35 to the consolidated financial statements. At 31 December 2023, the issued preference share capital and the issued ordinary share capital represented, respectively, 86.8 and 13.2 per cent of the nominal value of the total issued share capital.

In addition, at 31 December 2023, the company had in issue 3,997,760 warrants with each such warrant entitling the holder to subscribe, for a period of five years from 2020, one new ordinary share in the capital of the company at a subscription price of £1.26 per share. To date, one warrant holder has elected to exercise their warrant rights subscribing for 13,000 ordinary shares in April 2022.

The rights and obligations attaching to the ordinary shares, preference shares and warrants are governed by the company's articles of association, the warrant instrument and prevailing legislation. A copy of the articles of association and the warrant instrument are available at www.rea.co.uk/investors/capital-and-constitution. Rights to income and capital are summarised in note (xiii) to the company's financial statements.

On a show of hands at a general meeting of the company, every holder of ordinary shares and every duly appointed proxy of a holder of ordinary shares, in each case being entitled to vote on the resolution before the meeting, shall have one vote. On a poll, every holder of ordinary shares present in person or by proxy and entitled to vote on the resolution the subject of the poll shall have one vote for each ordinary share held. Holders of preference shares are not entitled to vote on a resolution proposed at a general meeting unless, at the date of notice of the meeting, the dividend on the preference shares is more than six months in arrear or the resolution is for the winding up of the company or is a resolution directly and adversely affecting any of the rights and privileges attaching to the preference shares. Deadlines for the exercise of voting rights and for the appointment of a proxy or proxies to vote in relation to any resolution to be proposed at a general meeting are governed by the company's articles of association and prevailing legislation and will normally be as detailed in the notes accompanying the notice of the meeting at which the resolution is to be proposed.

There are no restrictions on the size of any holding of shares in the company. Shares may be transferred either through the CREST system (being the relevant system as defined in the Uncertificated Securities Regulations 2001 of which Euroclear UK & Ireland Limited is the operator) where held in uncertificated form or by instrument of transfer in any usual or common form duly executed and stamped, subject to provisions of the company's articles of association empowering the directors to refuse to register any transfer of shares where the shares are not fully paid, the shares are to be transferred into a joint holding of more than four persons, the transfer is not appropriately supported by evidence of the right of the transferor to make the transfer or the transferor is in default in compliance with a notice served pursuant to section 793 of the CA 2006. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

No person holds securities carrying special rights with regard to control of the company and there are no arrangements in which the company co-operates by which financial rights carried by shares are held by a person other than the holder of the shares.

The articles of association provide that the business of the company is to be managed by the directors and empower the directors to exercise all powers of the company, subject to the provisions of such articles (which include a provision specifically limiting the borrowing powers of the group) and prevailing legislation and subject to such directions as may be given by the company in general meeting by special resolution. The articles of association may be amended only by a special resolution of the company in general meeting and, where such amendment would modify, abrogate or vary the class rights of any class of shares, with the consent of that class given in accordance with the company's articles of association and prevailing legislation.

The company's dollar notes and the sterling notes issued by the company's wholly owned subsidiary, REAF, and guaranteed by the company, are transferable either through the CREST system, where held in uncertificated form, or by instrument of transfer. Transfers may be in any usual or common form duly executed in amounts, in the case of the dollar notes, of \$120,000 and integral multiples of \$1 in excess thereof; and, in the case of the sterling notes, of £100,000 and integral multiples of £1,000 in excess thereof. There is no maximum limit on the size of any holding in each case.

Substantial holders

On 31 December 2023, based on notifications received by the company in accordance with the DGTRs of the FCA, the following were substantial holders of voting rights attaching to ordinary and preference shares of the company.

Substantial holders of shares	Number of voting shares	Percentage of voting rights
Emba Holdings Limited ¹	13,022,420	11.24
M&G Investment Management Limited	6,418,693	5.54
Odey Asset Management LLP	5,224,075	4.51
James Bartholomew	3,508,933	3.00

As explained under Dividends in the Finance section of the Strategic report above, all outstanding arrears of dividend on the company's preference shares were paid on 15 April 2024. Accordingly, holders of preference shares are no longer entitled to voting rights on the same basis as holders of ordinary shares.

Following this change in the voting rights attaching to the company's shares, the company received the following notifications of substantial holdings of ordinary shares in accordance with the DGTRs:

Substantial holders of ordinary shares	Number of voting shares	Percentage of voting rights
Emba Holdings Limited ^{1, 2}	13,022,420	29.71
M&G Investment Management Limited ²	6,223,693	14.20
Arbuthnot Latham (Nominees) Limited	3,258,643	7.43
James Bartholomew ²	2,585,314	5.90

- The issued ordinary share capital of Emba Holdings Limited (Emba) is owned by Richard Robinow and certain members of his family. The ordinary shares of the company held by Emba are included in the interest of Richard Robinow, shown under Statement of directors' shareholdings in the Directors' remuneration report
- Representing revisions of the previously notified combined holdings of ordinary and preference shares

During the period from 31 December 2023 to the date of this report, the company did not receive any notifications in accordance with the DGTRs save as stated above.

Significant holdings (being 10 per cent or more) of ordinary shares, preference shares, dollar notes and sterling notes shown by the respective registers of members and noteholders as at 31 December 2023 are set out below:

Substantial holders of securities	Ordinary shares '000	Preference shares '000	Dollar notes \$'000	Sterling notes £'000
Luna Nominees Limited	10,163	-	-	-
State Street Nominees Limited OM04	6,224	-	-	-
KLK Overseas Investments Limited	-	-	9,000	-
KL-Kepong International Limited	-	-	8,570	-
Securities Services Nominees Limited 1702334 acct	-	4,132	-	8,767
State Street Nominees Limited OU61 acct	-	8,632	5,100	7,526
Euroclear Nominees Limited EOC01 acct	-	-	-	4,375
Nortrust Nominees Limited	-	-	-	3,600

Governance

Directors' report

continued

A change of control of the company would entitle holders of the sterling notes to require repayment of the notes held by them at 104 per cent of par.

The directors are not aware of any agreements between the company and its directors or between any member of the group and a group employee that provides for compensation for loss of office or employment that occurs because of a takeover bid.

Directors

The directors who served during 2023 and up to and including the date of this report are listed under **Board of directors** above, which is incorporated by reference in this **Directors' report**.

In accordance with the provisions of the UK Corporate Governance Code 2018 (the Code) issued by the FRC, all continuing directors are subject to annual re-election. Resolutions 4 to 10, which are set out in the accompanying notice (the 2024 Notice) of the forthcoming AGM and will be proposed as ordinary resolutions, deal with the election and re-election of the directors.

The board considers that the contribution of each current director is, and continues to be, important and of value to the long term success of the company.

David Blackett, who was first appointed to the board in 2008 and was appointed chairman in 2016, has served on the board for more than nine years. The board considers that David Blackett's term as chairman should again be extended beyond that recommended under the Code, as he provides valuable continuity and support to the company and management during a period of operational and financial recovery, and in particular with regard to the group's relationship with DSN. David makes yearly visits to the operations in Indonesia and has considerable knowledge of the business of the company, offering insights based on his previous experience in the region. In fulfilling his role as chairman, David promotes healthy debate amongst directors and the board considers that his objectivity and judgement are not compromised by his length of service.

Carol Gysin is the sole executive director of the group. Based in England, Carol has worked for the group for over 15 years. She joined the group as group company secretary but, after increasing involvement in the group's operations, she was appointed managing director in 2017. Carol makes regular visits to the group's offices and plantation estates in Indonesia.

John Oakley was managing director of the company from 2002 until the end of 2015. John has remained on the board as a non-executive director and provides valuable support to the current management, given his detailed knowledge of agronomic practices and oil mill engineering.

Richard Robinow relinquished his position as chairman of the company in January 2016. Richard has remained on the board as a non-executive director and, with his significant family shareholding in the company, continues to support the development of the group, particularly with regard to financing and strategic initiatives.

Rizal Satar, an Indonesian national based in Indonesia, has extensive experience in accounting and finance having previously worked for PwC, Indonesia, for 20 years until 2017, latterly as a director/senior partner in Advisory Services. Rizal is a valuable member of the board in terms of his relevant commercial and financial experience and local knowledge. Rizal is also an independent commissioner (the Indonesian equivalent of a non-executive director) of REA Kaltim and chairman of the REA Kaltim sub-group's audit committee which oversees on behalf of the group matters that include internal audit, anti-bribery and corruption measures, whistleblowing policies and procedures, and employee engagement. As detailed under **Diversity and human rights** below, substantially all of the group's employees are based in Indonesia.

Michael St. Clair-George is the senior independent non-executive director of the company and chairman of the audit and remuneration committees. Now based in England, Michael has over 40 years' experience in the plantation and agribusiness industries in Malaysia and Indonesia first in the Harrison's & Crosfield group and then in the Sipef group.

Mieke Djalil was appointed to the board in July 2022. Mieke is an Indonesian national, based in Indonesia and has over 35 years of experience in business process improvement and project management. Mieke's broad commercial and technical knowledge and her local and international experience are valuable resources for the board.

The senior independent non-executive director confirms that, following the annual performance review and evaluation of the chairman, the latter's performance continues to be effective and to demonstrate his commitment to the role. Accordingly, the senior non-executive director, together with fellow non-executive directors recommend the re-election of the chairman as a non-executive director.

The chairman confirms that, following the annual performance review and evaluation, the performance of each of the current non-executive directors and the managing director continues to be effective and recommends their re-election to the board. The chairman particularly welcomes the valuable commitment and extensive experience of all of the directors.

Engagement with suppliers, customers and other stakeholders

As noted in the section 172(1) statement in the Introduction and strategic environment section in the Strategic report, each director is conscious of their and the group's responsibility to customers, suppliers, the wider community and other stakeholders.

There is a regular dialogue between managers in the sales and marketing and ESG departments and the group's customers, with whom the group has developed long term supply arrangements and who take a keen interest in the group's sustainability credentials. An important area of focus is the scheduling of deliveries with timely deliveries of importance to customers and critical to the smooth running of the group's operations. Managers in the procurement department have an open dialogue with the group's limited number of suppliers and contractors to ensure that contracts are performed efficiently and satisfactory relationships are maintained. The company seeks to procure that suppliers, contractors and customers conform to the group's ESG principles and practices.

In support of the established relationships, from time to time the group's president director in Indonesia has meetings with the group's key suppliers and customers at which any concerns can be aired. Occasionally, the managing director will also participate in such meetings.

Managers are also in regular communication with local government bodies in Indonesia and with the certification and other bodies that promote ESG matters. Issues, if any, are discussed at the regular meetings between senior management and the president director and escalated, as required, to the managing director. The company's non-executive Indonesia resident directors also provide a conduit to the group board for matters arising with stakeholders in Indonesia.

Directors' indemnities

Qualifying third party indemnity provisions (as defined in section 234 of the CA 2006) were in place for the benefit of directors of the company and of other members of the group for 2023 and remain in place at the date of this report.

The group carries appropriate insurance cover in respect of legal actions against the directors, commissioners and senior managers of the group in the UK and Indonesia.

Political donations

No political donations were made during the year.

Acquisition of the company's own shares

The company's articles of association permit the purchase by the company of its own shares subject to prevailing legislation which requires that any such purchase (commonly known as a "buy-back"), if a market purchase, has been previously authorised by the company in general meeting and, if not, is made pursuant to a contract of which the terms have been authorised by a special resolution of the company in general meeting.

The company currently holds 132,500 of its ordinary shares of 25p each, representing 0.3 per cent of the called up ordinary share capital, as treasury shares which were acquired with the intention that, once a holding of reasonable size has been accumulated, such holding be placed with one or more substantial investors on a basis that, to the extent reasonably possible, broadens the spread of substantial shareholders in the company. Save to the extent of this intention, no agreement, arrangement or understanding exists whereby any ordinary shares acquired pursuant to the share buy-back authority referred to below will be transferred to any person. There were no acquisitions or disposals of treasury shares during 2023.

The directors are seeking renewal at the forthcoming AGM (resolution 13 set out in the 2024 Notice) of the buy-back authority granted in 2023 to purchase up to 5,000,000 ordinary shares, on terms that the maximum number of ordinary shares that may be bought back and held in treasury at any one time is limited to 400,000 ordinary shares. The directors may, if it remains appropriate, seek further annual renewals of this authority at subsequent AGMs. The authorisation being sought will continue to be utilised only for the limited purpose of buying back ordinary shares into treasury with the expectation that the shares bought back will be re-sold when circumstances permit. The new authority, if provided, will expire on the date of the AGM to be held in 2025 or on 30 June 2025 (whichever is the earlier).

Although the directors are seeking renewal of the buy-back authority to maintain flexibility for the future, they do not currently intend to exercise such authority.

The renewed buy-back authority is sought on the basis that the price (exclusive of expenses, if any) that may be paid by the company for each ordinary share purchased by it will be not less than 50p and not greater than an amount equal to the higher of: (i) 105 per cent of the average of the middle market quotations for the ordinary shares in the capital of the company as derived from the Daily Official List of the LSE for the five business days immediately preceding the day on which such share is contracted to be purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the LSE.

Governance

Directors' report

continued

Any ordinary shares held in treasury by the company will remain listed and form part of the company's issued ordinary share capital. However, the company will not be entitled to attend meetings of the members of the company, exercise any voting rights attached to such ordinary shares or receive any dividend or other distribution (save for any issue of bonus shares). Sales of shares held in treasury will be made from time to time as investors are found, following which the new legal owners of the ordinary shares will be entitled to exercise the usual rights from time to time attaching to such shares and to receive dividends and other distributions in respect of the ordinary shares.

The consideration payable by the company for any ordinary shares purchased by it will come from the distributable reserves of the company. The proceeds of sale of any ordinary shares purchased by the company would be credited to distributable reserves up to the amount of the purchase price paid by the company for the shares, with any excess over such price being credited to the share premium account of the company.

The company will continue to comply with its obligations under the Listing Rules of the FCA in relation to the timing of any share buy-backs and re-sales of ordinary shares from treasury.

Authorities to allot share capital

At the AGM held on 8 June 2023, shareholders authorised the directors under the provisions of section 551 of the CA 2006 to allot ordinary shares or 9 per cent cumulative preference shares within specified limits. Replacement authorities are being sought at the 2024 AGM (resolutions 14 and 15 set out in the 2024 Notice) to authorise the directors (a) to allot and to grant rights to subscribe for, or to convert any security into, shares in the capital of the company (other than 9 per cent cumulative preference shares) up to an aggregate nominal amount of £3,652,585 representing 33.3 per cent of the issued ordinary share capital (excluding treasury shares) at the date of this report, and (b) to allot and to grant rights to subscribe for, or to convert any security into, 9 per cent cumulative preference shares in the capital of the company up to an aggregate nominal amount of £24,000,000 representing 33.3 per cent of the issued preference share capital of the company at the date of this report. The new authorities, if provided, will expire on the date of the AGM to be held in 2025 or on 30 June 2025 (whichever is the earlier). The directors have no current intention of exercising the allotment authorities.

Authority to disapply pre-emption rights

Fresh powers are also being sought at the forthcoming AGM under the provisions of sections 571 and 573 of the CA 2006 to enable the board to make a rights issue or open offer of ordinary shares to existing ordinary shareholders without being obliged to comply with certain technical requirements of the CA 2006 which can create problems with regard to fractions and overseas shareholders.

In addition, the resolution to provide these powers (resolution 16 set out in the 2024 Notice) will, if passed, empower the directors to allot equity securities or sell treasury shares for cash and otherwise than to existing shareholders pro rata to their holdings up to a maximum aggregate nominal amount of £1,095,775 (representing 10 per cent of the issued ordinary share capital of the company (excluding treasury shares) at the date of this report).

The figure of 10 per cent reflects the Pre-Emption Group 2022 Statement of Principles for the disapplication of pre-emption rights (the Statement of Principles). The board will have due regard to the Statement of Principles in relation to any exercise of this power.

Reflecting the Statement of Principles, a further power is being sought at the forthcoming AGM to enable the board to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders pro rata to their holdings in addition to the 10 per cent referred to above. The resolution to provide these powers (resolution 17 set out in the 2024 Notice) will, if passed, be limited to the allotment of equity securities and sales of treasury shares for cash up to a maximum aggregate nominal amount of £1,095,775 (representing 10 per cent of the issued ordinary share capital of the company (excluding treasury shares) at the date of this report). The board will have due regard to the Statement of Principles in relation to any exercise of this power and in particular the board intends to use this power only in connection with a transaction which they have determined to be an acquisition or other capital investment (of a kind contemplated by the Statement of Principles most recently published prior to the date of this notice) which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding 12 month period and is disclosed in the announcement of the issue.

The foregoing powers (if granted) will expire on the date of the AGM to be held in 2025 or on 30 June 2025 (whichever is the earlier).

General meeting notice period

At the 2024 AGM a resolution (resolution 18 set out in the 2024 Notice) will be proposed to authorise the directors to convene a general meeting (other than an AGM) on 14 clear days' notice (subject to due compliance with requirements for electronic voting). The authority, if granted, will be effective until the date of the AGM to be held in 2025 or until 30 June 2025 (whichever is the earlier). The applicable resolution is proposed following legislation which, notwithstanding the provisions of the company's articles of association and in the absence of specific shareholder approval of shorter notice, has increased the required notice period for general meetings of the company to 21 clear days. While the directors believe that it is sensible to have the flexibility that the proposed resolution will offer to convene general meetings on shorter notice than 21 days, this flexibility will not be used as a matter of routine for such meetings, but only where use of the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Directors' remuneration report

Resolution 2 as set out in the 2024 Notice provides for approval of the Directors' remuneration report as detailed in the report below.

The Directors' remuneration policy detailed in the Directors' remuneration report is unchanged from the policy that was previously approved at the company's 2021 AGM.

Directors' remuneration policy

Resolution 3 as set out in the 2024 Notice provides for approval of the Directors' remuneration policy as detailed in the report below. If approved, the policy will take effect from the date of such approval. The policy was previously approved at the company's 2021 AGM and remains unchanged.

Recommendation

The board considers that the proposals to grant the directors the authorities and powers as detailed under **Acquisition of the company's own shares**, **Authorities to allot share capital** and **Authority to disapply pre-emption rights** above and the proposals to permit general meetings (other than AGMs) to be held on just 14 clear days' notice as detailed under **General meeting notice period** above are all in the best interests of the company and shareholders as a whole and accordingly the board recommends that shareholders vote in favour of resolutions 13 to 18 as set out in the 2024 Notice.

Independent auditor

Each director of the company at the date of approval of this report has confirmed that, so far as such director is aware, there is no relevant audit information of which the company's independent auditor is unaware; and that such director has taken all the steps that ought to be taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's independent auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the CA 2006.

Following a rebranding exercise on 15 May 2023, the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor (resolution 11 set out in the 2024 Notice) will be proposed at the 2024 AGM.

Resolution 12 set out in the 2024 Notice proposes that the audit committee, in accordance with its terms of reference and standard practice, be authorised to determine and approve the remuneration of the independent auditor.

Governance

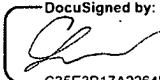
Directors' report

continued

Disclosure requirements of Listing Rule 9.8.4R

The following table references the location of information required to be disclosed in accordance with Rule 9.8.4R of the Listing Rules published by the FCA.

Listing Rule	Disclosure requirement	Disclosure in annual report
9.8.4(1)	The amount of interest capitalised during the year with an indication of the amount and treatment of any related tax relief	Note 12 to the consolidated financial statements
9.8.4(2)	Any information required in respect of published unaudited financial information	Note 42 to the consolidated financial statements
9.8.4(4)	Details of long-term incentive scheme as required under LR 9.4.3R (2) (for a sole director to facilitate recruitment or retention)	Not applicable
9.8.4(5)	Any arrangements under which a director has waived or agreed to waive any emoluments from the company or any subsidiary undertaking	Not applicable
9.8.4(6)	Any arrangement under which a director has agreed to waive future emoluments	Not applicable
9.8.4(7)	Allotments for cash of equity securities made during the period under review otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the company's shareholders	Not applicable
9.8.4(8)	Allotments for cash of equity securities by a major unlisted subsidiary of the company made during the period under review otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the company's shareholders	Not applicable
9.8.4(9)	Participation by a parent company in any placing made by the company	Not applicable
9.8.4(10)	Any contract of significance: <ul style="list-style-type: none"> (i) to which the listed company, or one of its subsidiary undertakings, is a party and in which a director of the listed company is or was materially interested; and (ii) between the listed company, or one of its subsidiary undertakings, and a controlling shareholder 	Not applicable
9.8.4(11)	Contracts for the provision of services to the company or any of its subsidiary undertakings by a controlling shareholder	Not applicable
9.8.4(12)	Arrangements under which a shareholder has waived or agreed to waive any dividends	Not applicable
9.8.4(13)	Arrangements under which a shareholder has agreed to waive future dividends	Not applicable
9.8.4(14)	Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

DocuSigned by:

 C35E3B17A2264FD...

By order of the board

R.E.A. SERVICES LIMITED

Secretary

24 April 2024

Governance

Corporate governance report

This directors' report on corporate governance in respect of the year ended 31 December 2023 is made pursuant to the Code, which is available from the FRC's website at www.frc.org.uk.

Throughout the year ended 31 December 2023, the company remained in compliance with the provisions set out in the Code.

Chairman's statement on corporate governance

The directors appreciate the importance of ensuring that the group's affairs are managed effectively and with integrity and acknowledge that the principles laid down in the Code provide a widely endorsed model for achieving this. The directors seek to apply the Code principles and the supporting provisions in a manner proportionate to the group's size but, as the Code permits, reserving the right, when and if it is appropriate to the individual circumstances of the company, not to comply with certain Code principles and to explain why. The directors are mindful of the changes to the Code (the 2024 Code) that will apply to financial years beginning on or after 1 January 2025 and intend to apply the revised principles and provisions as applicable to the group.

At the performance review and evaluation conducted in 2023 and following a further formal review and evaluation conducted in April 2024, directors concluded that the board performed effectively as constituted during 2023 and continues to do so during 2024. It was further concluded that the diversity of gender and ethnic backgrounds and complementary skills of individual board members are appropriate for the size and strategic direction of the group and for the challenges that it faces. It was considered that each director brings separate valuable insights into, variously, the plantation industry, business in Indonesia and the group's affairs. Taking account of the nature and size of the company and the limited number of directors on the board, it was decided that an externally facilitated board evaluation was not required.

The directors are conscious that the group relies not only on its shareholders but also on the holders of its debt securities for the provision of the capital that the group utilises. The comments below regarding liaison with shareholders apply equally to liaison with holders of debt securities.

Role and responsibilities of the board

The board is responsible for the proper leadership of the company in meeting its objectives for the long term sustainable success of the company, the community in which it operates and its shareholders.

The board has a schedule of matters reserved for its decision which is kept under review. Such matters include strategy, material investments and financing decisions and the appointment or removal of executive directors and the

company secretary. In addition, the board is responsible for ensuring that resources are adequate to meet the group's objectives and for reviewing performance, financial and operational controls, risk and compliance with the group's policies and procedures with respect to its strategy and values regarding business ethics, responsible development, environment and biodiversity conservation, human rights, diversity, and health and safety. Each of these matters is considered at the group's quarterly board meetings with such discussions informed by exchanges with, and information provided by, the senior management team as well as by updates from sustainability and conservation consultants. The group's culture and long history of operating in South East Asia underpins the policies, standards and procedures that it employs in seeking to meet the group's objectives. The group's local directors, commissioners and minority shareholders are a valuable resource in ensuring that the culture and conduct of the group are maintained and appropriately aligned with that of the region in which it operates.

The chairman and managing director (being the chief executive) have defined separate responsibilities under the overall direction of the board. The chairman has responsibility for leadership and effective management of the board in the discharge of its duties; the managing director has responsibility for the executive management of the group overall. Neither has unfettered powers of decision.

Michael St. Clair-George, Rizal Satar and Mieke Djalil are considered by the board to be independent directors. Further, the chairman on appointment was considered to meet the board of directors' criteria for independence. There is a regular and frank dialogue, both formal and informal, between all directors and senior management and communication is open and constructive and non-executive directors are able to express their views, challenge one another and senior management and to raise issues or concerns. Executive management is responsive to feedback from non-executive directors and to requests for clarification and amplification.

Composition of the board

The board currently comprises the chairman, one executive director and five non-executive directors, three of whom the board considers to be independent. Two (representing 29 per cent) of the seven members of the board, being the managing director and one independent non-executive director, are female.

Biographical information concerning each of the directors of the company is set out under **Board of directors** above. The variety of backgrounds brought to the board by its members provides perspective and facilitates balanced and effective strategic planning and decision making for the long-term success of the company in the context of the company's obligations and responsibilities, both as the owner of a business in Indonesia and as a UK listed entity. In particular, the board believes that the respective skills and experience of

Governance

Corporate governance report

continued

its members complement each other and that their knowledge and commitment is of specific relevance to the nature and geographical location of the group's operations.

The group's London office comprises the managing director and a small number of senior executives, all of whom are female, managing the company's London listing and liaising with its European investors, as well as liaising closely with the senior management team in Indonesia. The Indonesian management team has day to day responsibility for the plantation operations and reports to the local president director.

Under the company's articles of association, any director who has not been appointed or re-appointed at each of the preceding two AGMs shall retire by rotation and may submit himself for re-election. This has the effect that each director is subject to re-election at least once every three years. Further, any director appointed during the year holds office until the next AGM and may then submit himself or herself for re-election. However, in compliance with the Code, all directors are subject to annual re-election by shareholders.

It is the policy of the company that the board should be refreshed on the basis that independent non-executive directors will not normally be proposed for reappointment if, at the date of reappointment, they have served on the board for more than nine years. However, David Blackett, who was first appointed to the board in 2008 and was appointed chairman in 2016, has served on the board for more than nine years. The board is mindful of maintaining a suitable balance between independence and relevant experience and considers that, as chairman, David's objectivity and judgement are not compromised by his length of service. The board considers that the value brought to board proceedings by David's commitment and continuity outweighs other factors. David fosters healthy discussions at board meetings to ensure that board decision making is effective and conforms with the group's strategy and objectives. Accordingly, as explained in the Directors' report above, the board has further extended the chairman's term beyond that recommended under the Code, taking account of the views of fellow directors and of the company's major shareholders.

Directors' conflicts of interest

In connection with the statutory provisions regarding the avoidance by directors of situations which conflict or may conflict with the interests of the company, the board has approved the continuance of potential conflicts notified by Richard Robinow, who absented himself from the discussion in this respect. Such notifications relate to Richard's interests as a shareholder in or as a director of companies the interests of which might conflict with those of the group but are not at present considered to do so. No other conflicts or potential conflicts have been notified by directors.

Professional development and advice

In view of their previous relevant experience and, in some cases, length of service on the board, all directors are familiar with the financial and operational characteristics of the group's activities. Directors are required to ensure that they maintain that familiarity and keep themselves fully cognisant of the affairs of the group and matters affecting its operations, finances and obligations (including ESG responsibilities). Whilst there are no formal training programmes, the board regularly reviews its own competences, receives periodic briefings on legal, regulatory, operational and political developments affecting the group and may arrange training on specific matters where it is thought to be required. Directors are able to seek the advice of the company secretary and, individually or collectively, may take independent professional advice at the expense of the company if necessary.

Newly appointed directors receive induction on joining the board and steps are taken to ensure that they become fully informed as to the group's activities.

Information and support

Monthly operational, financial and ESG reports are issued to all directors for their review and comment. These reports are augmented by annual budgets and positional papers on matters of a non routine nature and by prompt provision of such other information as the board periodically decides that it should have to facilitate the discharge of its responsibilities.

Board evaluation

A formal rigorous internal evaluation of the performance of the board, the committees and individual directors is undertaken annually. Balance of powers, mix of skills, experience and knowledge, ongoing contribution to objectives, strategy, efficacy, diversity, climate change and accountability to key stakeholders are reviewed by the board as a whole. The performance of the chairman is appraised by the independent non-executive directors led by the senior independent director. The appraisal process includes assessments against a detailed set of criteria covering a variety of matters including how the board works together as a unit, key board relationships, effectiveness of individual directors and committees and the commitment and contribution of all directors in developing strategy and enforcing disciplined risk management, pursuing areas of concern, if any, and in addition setting appropriate commercial, social and environmental responsibility objectives, the adequacy and timeliness of information made available to the board and the proportion of time allotted for considering financial performance versus strategic matters.

Following the 2024 evaluation, the chairman confirmed the directors' view that the board is effective as currently constituted and that the performance of each of the non-executive directors continues to be effective. The chairman

welcomed the valuable commitment and engagement of all the directors, each of whom has extensive experience relevant to the group's business and of broader issues that are of relevance to the group's immediate and longer term goals and was satisfied that the board performed effectively throughout the period under review and to date.

Board committees

The board has appointed nomination, audit and remuneration committees to undertake certain of the board's functions, with written terms of reference which are available for inspection at www.rea.co.uk/investors/corporate-governance and are updated as necessary.

Overall, the board considers that the board committees are of a size that is appropriate to the needs and circumstances of the company and that the structure of the committees retains a suitable balance between independence and recent and relevant financial or industry experience and avoids unnecessary duplication of the oversight exercised by the commissioners of REA Kaltim (the Indonesian sub-holding company of all of the group's plantation interests) of which a majority are independent.

There is a committee of the board, currently comprising any two of the managing director, the chairman and Richard Robinow, to deal with various matters of a routine or executory nature.

Nomination committee

The members of the nomination committee are David Blackett (chairman) and Michael St. Clair-George. Although David has served on the board for more than nine years, he was independent upon his appointment to the board and to the nomination committee and, as noted above, the board considers that his independence is not compromised by his length of service. Further, given that the board currently comprises only seven members, it is not considered appropriate to change membership of the nomination committee at this time.

The duties of the nomination committee, including as respects board evaluation and succession planning, are set in its terms of reference available at www.rea.co.uk/investors/corporate-governance. The outcome of the annual board evaluation is summarised above under **Board evaluation**. The group's policy and approach as respects diversity and inclusion are detailed under **Diversity and human rights** below.

The nomination committee is responsible for monitoring the performance of the executive director and senior management against agreed performance objectives and submitting recommendations for the appointment and removal of directors for approval by the full board. In making such recommendations, the committee pays due regard to the group's diversity policy and takes into consideration the

ethos of the company and the specific nature and location of the group operations. Experience and understanding of the plantation industry and business in Indonesia, including that from a South East Asian perspective provided by overseas directors, is an important factor in considering a potential appointment, whether from an external applicant or as part of the succession planning process. The committee may use external consultants to advertise directly for or carry out a search exercise for potential applicants when seeking a new chairman or directors.

A prospective director's availability to devote the time and attention necessary to support the company's long-term sustainable success is considered vital. It is important that directors make periodic visits to the group's operations which are located in a remote rural location in Indonesia, entailing lengthy and sometimes complex, strenuous travel. The nomination committee assesses current demands on a potential director's time in addition to the time commitment and stamina expected of a director, prior to recommending their appointment to the board. The board considers whether a proposed director is able to discharge his duties within the constraints on the proposed director's availability and preparedness for such a role.

The managing director does not currently hold any other significant appointment.

Audit committee

The members of the audit committee are detailed in the **Audit committee report** below. The company constitutes a smaller company for the purpose of the Code and accordingly an audit committee comprising two members complies with the requirements of the Code. Both members have relevant financial expertise and experience. Given the commitment and specific competencies relevant to the group's business that are required of audit committee members, the board is satisfied that the committee is appropriately constituted.

Rizal Satar, who is one of the two members of the audit committee, is also chairman of the audit committee of the REA Kaltim sub group and has primary responsibility for overseeing audit matters in the region and for reporting back to the audit committee in London. Membership of the audit committee is kept under review by the board to ensure that it continues to remain independent and effective.

As set out in its terms of reference, the audit committee monitors and reports to the board at each quarterly meeting on the independence and effectiveness of the internal and external audit functions, the integrity of financial and narrative statements and its assessment of risk management and internal control procedures. The audit committee's report on its composition and activities is set out in the **Audit committee report** below. This also provides information concerning the independent external auditor.

Governance

Corporate governance report

continued

Remuneration committee

The members of the remuneration committee are detailed in the Directors' remuneration report below. The remuneration committee meets the criteria of the Code as respects both independence and the composition of remuneration committees.

The principles, policies and activities of the remuneration committee are set out in the Directors' remuneration report below. This also provides information concerning the remuneration of the directors and includes details of the basis upon which such remuneration is determined.

Board proceedings

Four meetings of the board are scheduled each year. Other board meetings are held as required to consider corporate and operational matters with all directors consulted in advance regarding significant matters for consideration and provided with relevant supporting information. Minutes of board meetings are circulated to all directors. The managing director is present at full board meetings. Where appropriate, telephone discussions take place between the chairman and the other non-executive directors outside the formal meetings. Committee meetings are held as and when required. All proceedings of committee meetings are reported to the full board.

The attendance of individual directors, who served during 2023, at the board meetings held in 2023 is set out below:

	Regular meeting	Ad hoc meeting
David Blackett	4	1
Mieke Djalil	4	1
Carol Gysin	4	1
John Oakley	4	1
Richard Robinow	4	1
Michael St. Clair-George	4	–
Rizal Satar	4	1

In addition, during 2023 there were five meetings of the audit committee, one meeting of each of the remuneration committee and nomination committee. All committee meetings were attended by all of the committee members appointed at the time of each meeting.

Whilst all formal decisions are taken at board meetings, the directors have frequent informal discussions among themselves and with management and most decisions at board meetings reflect a consensus that has been reached ahead of the meetings. Two of the directors reside permanently in the Asia Pacific region and some UK based directors travel extensively. Since the regular board meetings are fixed to fit in with the company's budgeting and reporting cycle and ad hoc meetings normally have to be held at short notice to discuss specific matters that do not fall within the remit of the board committees, it may not always be practical

to fix meeting dates to ensure that all directors are able to attend each meeting in person but, when possible, the company organises a conference facility to facilitate remote attendance. In the event that a director is unable to attend a meeting in person or by way of a conference facility, the company ensures that the director concerned is fully briefed so that the director's views can be made known to other directors ahead of time and be reported to, and taken into account, at the meeting.

The use of conference facilities is not felt by directors to impact adversely the conduct or administration of meetings or the quality and depth of board discussions and contributions by individual directors.

Audit, risk and internal control

The board is responsible for the group's audit and system of internal control and for reviewing their effectiveness, taking account of the views and recommendations of the audit committee in considering such matters. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The board has established a continuous process for identifying, evaluating and managing the principal risks which the group faces (including risks arising from ESG matters) and considering any such risks in the context of the group's overall strategic objectives.

A robust assessment of the principal and emerging risks, as set out under **Principal risks and uncertainties** in the **Strategic report** above, was conducted by the board on 23 April 2024. The board also regularly reviews the process and internal control systems, which were in place throughout 2023 and up to the date of approval of this report, in accordance with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The board attaches importance not only to the process established for controlling risks but also to promoting an internal culture in which all group staff are conscious of the risks arising in their particular areas of activity, are open with each other in their disclosure of such risks and combine together in seeking to mitigate risk. In particular, the board has always emphasised the importance of integrity and ethical dealing and continues to do so, in accordance with the group's policies on business ethics and human rights.

Policies and procedures in respect of diversity, human rights and anti-bribery and corruption are in place for all of the group's operations in Indonesia as set out in the **Strategic report** (under the **Employees** section in **Environmental, social and governance** above) as well as in the UK. These include detailed guidelines and reporting requirements, a comprehensive, continuous training programme for all

management and employees and a process for ongoing monitoring and review. To support the group's policies and procedures, a local third party assists with corporate governance matters and regular anti-bribery training for employees in Indonesia. Such training covers local and international standards of good governance and anti-bribery laws and regulations, with specific reference to the Bribery Act 2010. The group's whistleblowing procedure, implemented for employees in Indonesia, where the majority of the workforce is based, is managed and facilitated externally by a professional independent third party firm.

The group has in place measures to ensure that it is compliant with UK GDPR.

The board, assisted by the audit committee and the internal audit process, reviews the effectiveness of the group's system of internal control on an ongoing basis. The board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management and the internal audit department (providing such information as the board requires) and considering whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring. Details of the internal audit function and the board's risk management monitoring are provided under Internal audit and Risk management and internal control in the Audit committee report below.

Internal audit and reporting

The group's internal audit arrangements are described in the Audit committee report below.

The group has established a management hierarchy which is designed to delegate the day to day responsibility for specific departmental functions within each working location, including financial, operational and compliance controls and risk management, to a number of senior managers and department heads who in turn report to the managing director.

Management reports to the board on a regular basis by way of the circulation of progress reports, management reports, budgets and management accounts. Management reports, in particular as regards finance matters, are also considered by the audit committee as required. Management is required to seek authority from the board in respect of any transaction outside the normal course of trading which is above an approved limit and in respect of any matter that is likely to have a material impact on the operations that the transaction concerns. Monthly meetings to consider operational matters are held in London and Indonesia and regular meetings are held between the two offices by way of conference calls. Directors based in London make frequent visits to the overseas operations each year. The managing director has a continuous dialogue with the chairman and with other members of the board.

Diversity and human rights

The group encourages an open approach to recruitment, promotion and career development irrespective of age, gender, national origin or background. As noted in the group's Non-financial and sustainability information statement in the Introduction and strategic environment above, applicable policies are designed to recognise and promote this open approach. Substantial progress has been made in implementing the diversity policy as evidenced by the composition of the group board, Indonesian subsidiary boards and senior management, and the recent establishment of a DEI committee, thus broadening the scope of the previous gender committee, as set out in the Strategic report above under the Employees section in Environmental, social and governance.

As at 31 December 2023, the company was in compliance with the requirements of LR 9.8.6R(9) as respects senior board positions and ethnic diversity, but not as respects the 40 per cent target for women on the board. The managing director and one independent non-executive director of the company are women, together representing 29 per cent of the board of seven directors. 29 per cent of the board are also from minority ethnic backgrounds as determined by the Office for National Statistics. The directors have determined that the main board should continue to be of a size that is appropriate to the needs and circumstances of the company with its operations being based entirely overseas in Indonesia. Accordingly, the directors are not currently intending to make further appointments to the board, although any new appointments to the board or board committees in due course would take account of the group's diversity policy.

The directors encourage and promote the participation of women in senior leadership roles and seek to increase the number of female employees at all levels throughout the group. The group head office in London comprises six employees, five of whom are senior executives (including the managing director), and all of whom are women. Substantially all of group's employees are based in Indonesia and 9,351 (some 99 per cent) are South East Asian. However, as noted under Employees in the Environmental, social and governance section of the Strategic report, 25 per cent of the group's combined Indonesian and UK workforce, and 20 per cent of the management team, are women. Given the nature and location of the group's operations, the directors have not set specific targets as respects gender or ethnic diversity below the level of the main board.

Governance

Corporate governance report

continued

Gender representation

	No. of board members	% of board	No. of senior positions on board*	No. in executive manage- ment	% of executive manage- ment
Men	5	71	2	2	29
Women	2	29	1	5	71

Ethnicity representation

	No. of board members	% of board	No. of senior positions on board*	No. in executive manage- ment	% of executive manage- ment
White British or other White**	5	71	3	6	86
Mixed Multiple ethnic groups	-	-	-	-	-
Asian/Asian British	2	29	-	1	14
Black/African/ Caribbean/ Black British Other ethnic group including Arab	-	-	-	-	-
Not specified	-	-	-	-	-

* (CEO, CFO, SID, Chair)

** (Including minority-White groups)

The group collects and stores employee data on the human resources management information system which complies with data protection regulations in the respective locations. Data as regards gender is mandatory in Indonesia; data as regards ethnicity is provided voluntarily and may be withheld at the employee's discretion.

In accordance with the Modern Slavery Act 2015, the group seeks to ensure that its partners abide by its ethical principles, including those with respect to slavery as set out in the policies on human rights and business ethics. All full time employees, casual workers and third party contractors are provided with clear terms of engagement, including a defined notice period for termination and the group's policy with respect to slavery or trafficked labour. The policy statement on modern slavery is available on the group's website and is reviewed annually by the board in light of the group's policies and practices. The group is also subject to assessments of its human rights policies and procedures by major customers and certification bodies. These audits, which are usually conducted by independent bodies, cover the management and governance of human rights, as well as respect for fundamental rights in the workplace and in the community.

Relations with stakeholders

The Chairman's statement and Strategic report above, when read in conjunction with the financial statements, the Directors' report above and the Audit committee report and Directors' remuneration report below are designed to present a comprehensive and understandable assessment of the group's position and prospects. The respective responsibilities of the directors and independent auditor in connection with the financial statements are detailed in Directors' responsibilities below and in the Independent auditor's report. The directors endeavour to ensure that there is satisfactory dialogue, based on mutual understanding, between the company and its shareholder body. The annual report, interim communications, periodic press releases and such circular letters to shareholders as circumstances may require are intended to keep shareholders informed as to progress in the operational activities and financial affairs of the group. In addition, within the limits imposed by considerations of confidentiality, the company engages with institutional and other major investors through regular meetings and other contact in order to understand their concerns. The views of shareholders are communicated to the board as a whole to ensure that the board and the board committees maintain a balanced understanding of shareholder opinions and issues arising.

All ordinary shareholders may attend the company's annual and other general meetings and put questions to the board. In addition, while the dividends on the company's preference shares are more than six months in arrear, all preference shareholders are similarly entitled to attend the company's annual and other general meetings and put questions to the board. Two directors reside permanently in the Asia Pacific region. Moreover, the nature of the group's business requires that directors travel frequently to Indonesia. It is therefore not always feasible for all directors to attend general meetings, but, under normal circumstances when gatherings of people are not restricted by health constraints, those directors who are present are available to talk on an informal basis to shareholders after the meeting's conclusion.

At least 20 working days' notice is given of the AGM and related papers are made available to shareholders at least 20 working days ahead of the meeting. For every general meeting, proxy votes are counted, and details of all proxies lodged for each resolution are reported to the meeting and made available on the group's website as soon as practicable after the meeting.

Arrangements for the company's 2024 AGM are set out in the 2024 Notice. Reference should be made to the 2024 Notice for further information regarding attendance at the meeting.

The board is mindful of the company's other key stakeholders, specifically employees. Rizal Satar, who resides in Indonesia and is also a commissioner (akin to a non-executive director) of the group's principal operating subsidiary in Indonesia

and chairman of the local audit committee, is the designated non-executive director with responsibility for engagement with employees, as well as oversight of anti-bribery and whistleblowing procedures in line with the group's policies. Rizal works with REA Kaltim's president director, head of human resources and head of sustainability to consider employee issues and periodically attends employee workshops on the group's estates. In addition, Rizal provides the conduit between the independent whistleblowing facilitator and the board. Outcomes and findings from employee engagement and whistleblowing procedures are reported to the local boards of directors and commissioners and ultimately to the group's main board via the REA Kaltim audit committee. This engagement mechanism is to ensure that the board understands the views of all stakeholders and that employee interests have been considered in board discussions and decision making in order to promote the long term success of the company.

The group maintains its website at www.rea.co.uk. The website has detailed information on, and photographs illustrating various aspects of, the group's activities, including its commitment to sustainability, conservation work and managing its carbon footprint. The website is updated regularly and includes information on the company's share prices and the price of CPO. The company's corporate governance documentation is published on the Investors section (under Corporate governance) of the website. The company's results and other news releases issued via the LSE's Regulatory News Service are published on the Investors section of the website and, together with other relevant documentation concerning the company, are available for downloading.

DocuSigned by:

David Blackett

1238529C6924455...

Approved by the board on 24 April 2024 and signed on behalf of the board by

DAVID J BLACKETT

Chairman

Governance

Audit committee report

Summary of the role of the audit committee

The terms of reference of the audit committee are available for download at www.rea.co.uk/investors/corporate-governance.

The audit committee's duties cover the group as a whole, as well as the parent company and major subsidiary undertakings, unless required otherwise by regulations. The audit committee is responsible for:

- monitoring the integrity of the financial statements, reviewing formal announcements of financial performance and the significant reporting issues and judgements that such statements and announcements contain
- reviewing the effectiveness of the internal control functions (including the internal financial controls and internal audit function in the context of the group's overall risk management system, as well as arrangements whereby internally raised staff concerns as to financial reporting and other relevant matters are considered)
- making recommendations to the board in relation to the appointment, reappointment, removal, remuneration and terms of engagement of the independent external auditor, and overseeing the relationship with and reviewing the audit findings of the independent external auditor
- reviewing and monitoring the independence of the external auditor and the effectiveness of the audit process.

The audit committee also monitors the engagement of the independent external auditor to perform non-audit work. During 2023, non-audit work undertaken by the independent auditor was principally in relation to the shareholder circular dated 25 January 2024 in respect of the proposals for the further investment by DSN in REA Kaltim, the potential sale of CDM and the intra-group sale and purchase of PU. The fee for such non-audit work was approved by the board on 25 January 2024. Additional non-audit work undertaken by the independent auditor was, as in previous years, routine compliance reporting in connection with covenant obligations applicable to certain group loans (as respects which the governing instruments require that such compliance reporting is carried out by the independent auditor). The audit committee considered that the nature and scope of, and remuneration payable in respect of, these engagements were such that the independence and objectivity of the auditor was not impaired. Fees payable are detailed in note 7 to the consolidated financial statements. MHA will undertake covenant compliance tasks during 2024, subject to their reappointment at the 2024 AGM.

The members of the audit committee discharge their responsibilities by formal meetings and informal discussions between themselves, meetings with the independent external auditor, and with management in Indonesia and London and by consideration of reports from management, the Indonesian audit committee and the independent external auditor.

The committee provides advice and recommendations to the board with respect to the financial statements to ensure that these offer fair, balanced, understandable and comprehensive information for the purpose of informing and protecting the interests of the company's shareholders.

Composition of the audit committee

The audit committee currently comprises Michael St. Clair-George (chairman) and Rizal Satar. Both are considered by the directors to have relevant financial and professional expertise and experience, as well as experience of the business sector and region in which the company operates, so as to be able to fulfil their specific duties effectively with respect to the audit committee. The experience of each member of the committee is described under **Board of directors** above.

Meetings

Three audit committee meetings are scheduled each year to match the company's budgeting and reporting cycle. Additional ad hoc meetings are held to discuss specific matters when required, including meetings called at the request of the independent external auditor.

Significant issues relating to the financial statements

The committee reviewed the half year financial statements to 30 June 2023 (on which the independent auditor did not report) and the full year consolidated financial statements for 2023 (the 2023 financial statements) contained in this annual report. The external audit report on the latter was considered together with a paper to the committee by the independent auditor reporting on the principal audit findings. The audit partner of MHA responsible for the audit of the group attended the audit planning meeting prior to the year end as well as the meeting of the committee at which the full year audited consolidated financial statements were considered and approved. Senior members of staff of MHA who were involved in the audit also attended the meetings.

In relation to the group's audited 2023 financial statements, the committee considered the significant accounting and judgement issues set out below.

Significant accounting and judgement issues

Issues	Relevant considerations
The group has reviewed the deferred tax liability that is recognised in the consolidated financial statements as a result of differences between the carrying amounts of financial assets and liabilities in those statements and the corresponding fiscal balances used in reporting taxable results	The computation of deferred tax liabilities is complicated by Indonesian tax legislation and by the extent of differences between group and local carrying amounts that have accumulated over many years, in part due to the past requirements of IAS 41 to restate plantings at fair value for group reporting purposes
Valuation of stone and coal loans: the value of these loans is based on the ability of the stone concession holding company to generate revenue in the future	ATP has commenced production of crushed stone which is being used to surface the roads leading to and from the quarry permitting delivery of crushed stone to customers
	Memoranda of understanding have been agreed with several potential customers and commercial sales of stone are now starting. It is also intended that ATP will supply stone for the group's infrastructure projects
	Local civil works for government projects in East Kalimantan, such as the new Indonesian capital in East Kalimantan are also likely to require substantial quantities of crushed stone with construction works having commenced and certain government buildings due to be completed in 2024
	IPA has repaid substantially all of its loan to the group. Under current market conditions coal mining has become uneconomic and activities have been suspended. However, a guarantee has been executed by ATP in respect of the amounts owed to the group by each of IPA and PSS
Revenue recognition relating to forward sales	Revenue from sales is recognised only when title to the goods sold has passed to the buyer (which normally occurs on delivery)
The accounting treatment of the reorganisation of subsidiaries and the potential sale of CDM	Key considerations for the reorganisation of subsidiaries and the potential sale of CDM are: the nature of the transactions and appropriate classification in the consolidated accounts

Governance

Audit committee report

continued

Issues

Land titles: the group has reviewed the estimated economic life of its non-current plantation operating assets to assess whether or not they should be depreciated

Relevant considerations

The committee has considered and taken independent advice regarding Indonesian land tenure law and regulations as applied to oil palm plantations

The Indonesian system of land tenure for agricultural purposes (HGU) gives the licensee rights to occupy for periods of up to 35 years, followed by an extension and then further renewals of between 25 and 35 years. The committee has concluded that acquiring an HGU represents, in substance, purchase of an item of PPE. To reach this conclusion the committee made the judgement that the initial payment to acquire an HGU is akin to a payment to purchase land and that valid renewal requests will always be granted by the Indonesian administration (at least until a significant change in law or government policy occurs)

The alternative would be to treat an HGU as a lease of land rights and depreciate the cost over the period of the HGU. Either treatment requires review of whether the underlying assets are impaired at period ends

From 1 January 2017, the group moved to a position of considering land titles (previously known as "pre-paid operating lease rentals") as a class of non-current assets with no amortisation, bringing the group's treatment into line with other companies in the oil palm sector. Previously, the group had amortised the pre-paid operating lease rentals at group level although Indonesian standards had not required any amortisation in the local accounts

Land rights in the past have been generally renewed without issue and it is a reasonable assumption that HGUs will continue to be renewed or extended. Further, land suitable for oil palm development and subject to HGUs can be readily bought and sold. Accordingly, and taking account of independent advice, the committee considers that the group should continue to adopt the policy that land titles are treated as non-current assets with no amortisation, in line with local treatment and with other oil palm groups

In its review of the annual report and the consolidated financial statements, the committee considered management's submissions on the matters above, together with the conclusions reached by the independent auditor, to ensure that the annual report and the consolidated financial statements are fair, balanced and understandable and provide sufficient information to enable shareholders to make an assessment of the group's position, performance, business model and strategy.

External audit

The independent external auditor, MHA (a member firm of Baker Tilly International), was appointed as the group's external auditor in 2020, following approval of their appointment by the company's shareholders at the AGM held in 2020. Rakesh Shaunak is the group's audit engagement partner.

The audit committee meets the independent external auditor each year to consider the annual audit plan, specific auditing and accounting matters and the independent auditor's report to the committee. In its assessment of the independent external auditor, the audit committee considered the following criteria and confirmed that it was satisfied that such criteria had been met:

- delivery of a thorough and efficient audit of the group in accordance with agreed plans and timescales
- provision of accurate, relevant and robust advice on, and challenge of, key accounting and audit judgements, technical issues and best practice
- the degree of professionalism and expertise demonstrated by the audit staff
- sufficient continuity planned for within the core audit team
- adherence to independence policies and other regulatory requirements.

Risk management and internal control

The board of the company has primary responsibility for the group's risk management and internal control systems. At each of its meetings, the committee conducts a robust assessment of principal, prospective and emerging risks faced by the group and makes recommendations to the board accordingly. Such risks, and the assessment thereof are set out under Principal risks and uncertainties in the Strategic report above and are reflected in the Viability statement and Going concern in the Directors' report above.

The audit committee supervises the internal audit function, which forms a key component of the control systems, and keeps the systems of financial, operational and compliance controls generally under review. Any deficiencies identified are drawn to the attention of the board.

During 2023 the committee considered the increasing prevalence and sophistication of IT related fraud which is potentially a substantial, albeit remote, risk for all business areas. Accordingly, at the beginning of 2023 the group completed an independent cyber security test and review of its information technology controls and financial reporting system in all group companies. Following these tests and review, actions were taken to enhance control processes and procedures. It is intended that further tests and reviews will be conducted periodically going forward.

However, in December 2023 a malware attack was reported in the Indonesian plantation operations and as a result all IT systems and internet connections in Indonesia were immediately shut down. Subsequently, traces of Lockbit malware were found throughout the infected IT systems which indicated that the systems had been compromised some time before the implementation of enhanced control processes and procedures earlier in the year. Systems in London were not affected. The committee was fully informed and are satisfied that appropriate action was taken as quickly and efficiently as possible. All systems and data were satisfactorily restored with no further implications expected. The attack did not affect the group's ability to continue its normal operations and to maintain control over the group's finances and risks, notwithstanding the disruption.

The group has taken independent advice regarding further upgrades to its firewalls and other anti malware protection which have now been implemented. Accordingly, the committee is satisfied that the group's systems are effective and sufficient for their purpose.

Internal audit

The group's Indonesian operations have an internal audit function supplemented where necessary by the use of external consultants. The function issues reports on each internal audit topic for consideration by the audit committee in Indonesia. Report summaries and remedial actions are submitted for consideration to the group audit committee. An internal audit programme is agreed at the beginning of each year and supplemented by special audits through the year as and when directed by management. In addition, follow-up audits are undertaken to ensure that necessary remedial action has been taken. Internal audit work continued throughout 2023, in accordance with the internal audit programme agreed with the committee. In the opinion of the audit committee and the board, there is no need for an internal audit function outside Indonesia due to the limited nature of the non-Indonesian operations.

DocuSigned by:

Michael Anthony St Clair-George

0CE6D8919E084D0...

Approved by the audit committee on 24 April 2024 and signed on behalf of the committee by:

MICHAEL A ST. CLAIR-GEORGE

Chairman of the audit committee

Governance

Directors' remuneration report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) as amended. The report is split into three main sections: the statement by the chairman of the remuneration committee, the annual report on remuneration and the policy report. The annual report on remuneration provides details of directors' remuneration during 2023 and certain other information required by the Regulations. The annual report on remuneration will be put to an advisory shareholder vote at the company's 2024 annual general meeting. The remuneration policy detailed in the policy report is separately subject to approval at that annual general meeting. The remuneration policy is unchanged from the policy that was previously approved at the company's 2021 annual general meeting.

The Companies Act 2006 requires the independent auditor to report to shareholders on certain parts of the annual report on remuneration and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that have been audited are indicated in that report. The statement by the chairman of the remuneration committee and the policy report are not subject to audit.

Statement by Michael St. Clair-George, chairman of the remuneration committee

The succeeding sections of this Directors' remuneration report cover the activities of the remuneration committee during 2023 and provide information regarding the remuneration of executive and non-executive directors. In particular, the report is designed to compare the remuneration of directors with the performance of the company.

The group's policy on remuneration is designed to be clear, simple and consistent with the group's values. The committee believes that remuneration should continue to motivate and reward individual performance in a way that supports the best long term interests of the company, its shareholders and stakeholders. The committee considers that executive remuneration is consistent with such policy and that the award of any bonus, which is wholly discretionary and currently the only variable element of remuneration for the sole executive director, takes account of the group's targets and objectives.

The policy and principles applied by the remuneration committee in fixing the appropriate remuneration of the sole executive director take account of the company's strategy, commercial goals and achievements as well as its sustainability objectives in furtherance of the long term success of the company. In addition, the committee takes into consideration external guidance and benchmarks, including annual publications by leading audit firms regarding directors' remuneration in smaller (FTSE SmallCap) companies, as well as remuneration awards for senior managers of the company in Indonesia and London.

In considering a bonus for the managing director (being the sole executive director) in respect of 2023, the committee confirmed the importance of striking an appropriate balance between positive and negative factors, reward and incentive in the context of the group's financial and share price performance in 2023. The committee noted continued improvements in the group's operational performance and efficiencies, including replanting and extension planting, and completion of the HGU renewal process. In addition, the committee recognised human resource initiatives including management training and development, succession planning and organisational changes in Indonesia and the UK and further progress with the group's ESG initiatives, including sustainability benchmarks such as SPOTT, measures to address climate change risks and opportunities and the appointment of a chief sustainability officer to help drive the group's ESG strategy. Further, the committee noted the successful reorganisation of companies within the Indonesian sub-group and the agreement for the proposed further investment by DSN in REA Kaltim. Finally, the committee noted progress as respects the stone, sand and coal interests, and commencement of discussions regarding the proposed reorganisation of those interests.

The committee reflected these factors in awarding the managing director's bonus in respect of 2023 and setting the executive remuneration and specific objectives for 2024. The committee considers that it has struck an appropriate balance between reward and incentive in approving the remuneration package of the managing director for 2024.

Annual report on remuneration

The information provided below under **Single total figure of remuneration for each director, Pension entitlements, Scheme interests and Directors' shareholdings** has been audited.

Single total figure of remuneration for each director

The remuneration of the executive and non-executive directors for 2022 and 2023 was as follows (stated in sterling as all the directors are remunerated in sterling). There was no remuneration in respect of any long term incentive plan in 2023 or 2022.

2023	Salary and fees (fixed) £'000	All taxable benefits (fixed)* £'000	Annual bonus (variable)** £'000	Pensions (fixed)*** £'000	Total £'000
Managing director					
C E Gysin	392.9	35.2	160.0	15.7	603.8
Chairman and non-executive directors					
D J Blakett	116.2	-	-	-	116.2
M Djalil	32.0	-	-	-	32.0
J C Oakley	32.0	-	-	-	32.0
R M Robinow	116.2	10.9	-	-	127.1
R Satar	34.5	-	-	-	34.5
M A St. Clair-George	34.5	-	-	-	34.5
Total	758.3	46.1	160.0	15.7	980.1

2022	Salary and fees (fixed) £'000	All taxable benefits (fixed)* £'000	Annual bonus (variable)** £'000	Pensions (fixed)*** £'000	Total £'000
Managing director					
C E Gysin	362.1	31.3	150.0	14.5	557.9
Chairman and non-executive directors					
D J Blakett	107.1	-	-	-	107.1
M Djalil (appointed 4 July 2022)	14.6	-	-	-	14.6
J C Oakley	29.1	-	-	-	29.1
R M Robinow	107.1	10.0	-	-	117.1
R Satar	31.6	-	-	-	31.6
M A St. Clair-George	31.6	-	-	-	31.6
Total	683.2	41.3	150.0	14.5	889.0

- * Types of benefit: health insurance, rental accommodation
 ** In respect of the applicable year (awarded in the subsequent year)
 *** Contributions to auto enrolment workplace pension

Fees paid to Michael St. Clair-George and Rizal Satar in 2022 and 2023 included additional remuneration at the rate of £2,500 per annum in respect of their membership of the audit committee.

Pension entitlements

In the past, executive directors were eligible to join the R.E.A. Pension Scheme, a defined benefit scheme of which details are given in note 40 to the consolidated financial statements. That scheme is now closed to new members and it is no longer the policy of the company to offer pensionable remuneration to directors, except to the extent required under local legislation.

Mr Oakley (who was aged 75 at 31 December 2023) is a pensioner member of the scheme. Details of Mr Oakley's annual pension entitlement are set out below:

	£
In payment at beginning of year	84,356
Increase during the year	3,182
In payment at end of year	87,538

Scheme interests awarded during the financial year

There were no scheme interests awarded during the financial year.

Governance

Directors' remuneration report

continued

Directors' shareholdings

There is no requirement for directors to hold shares in the company.

At 31 December 2023, the interests of directors (including interests of persons connected with directors) in the 9 per cent cumulative preference shares of £1 each, ordinary shares of 25p each of the company and warrants to subscribe ordinary shares were as set out in the table below:

	Preference shares	Ordinary shares	Warrants to subscribe ordinary shares
Directors			
D J Blakett	250,600	131,144	–
M Djalil	–	–	–
C E Gysin	91,957	2,132	–
J C Oakley	–	442,493	–
R M Robinow	100,000	13,046,587	1,734,330
R Satar	–	–	–
M A St. Clair-George	2,108	129,371	–

There have been no changes in the interests of the directors between 31 December 2023 and the date of this report.

Scheme interests

No director currently holds any scheme interests in shares of the company and there is no current intention that any such interests should be granted.

A long term incentive plan (the 2015 scheme) was approved by shareholders in June 2015. The 2015 scheme is linked to the market price performance of ordinary shares in the company, designed with a view to participation over the long term in value created for the group.

Under the 2015 scheme, participants are awarded potential entitlements over notional ordinary shares of the company. These potential entitlements then vest to an extent that is dependent upon the achievement of certain targets. Vested entitlements are exercisable in whole or part at any time within the six years following the date upon which they vested. On exercising a vested entitlement, a participant receives a cash amount for each ordinary share over which the entitlement is exercised, equal to the excess (if any) of the market price of an ordinary share on the date of exercise over the price at which the entitlement was granted, subject to adjustment for subsequent variations in the share capital of the company in accordance with the rules of the plan.

The 2015 scheme provides that the vesting of a participant's potential entitlements to notional ordinary shares be determined by key performance targets with each performance target measured on a cumulative basis over a designated performance period. Targets for any award made under the 2015 scheme are subject to adjustment at the discretion of the remuneration committee where, in the committee's opinion, warranted by actual performance.

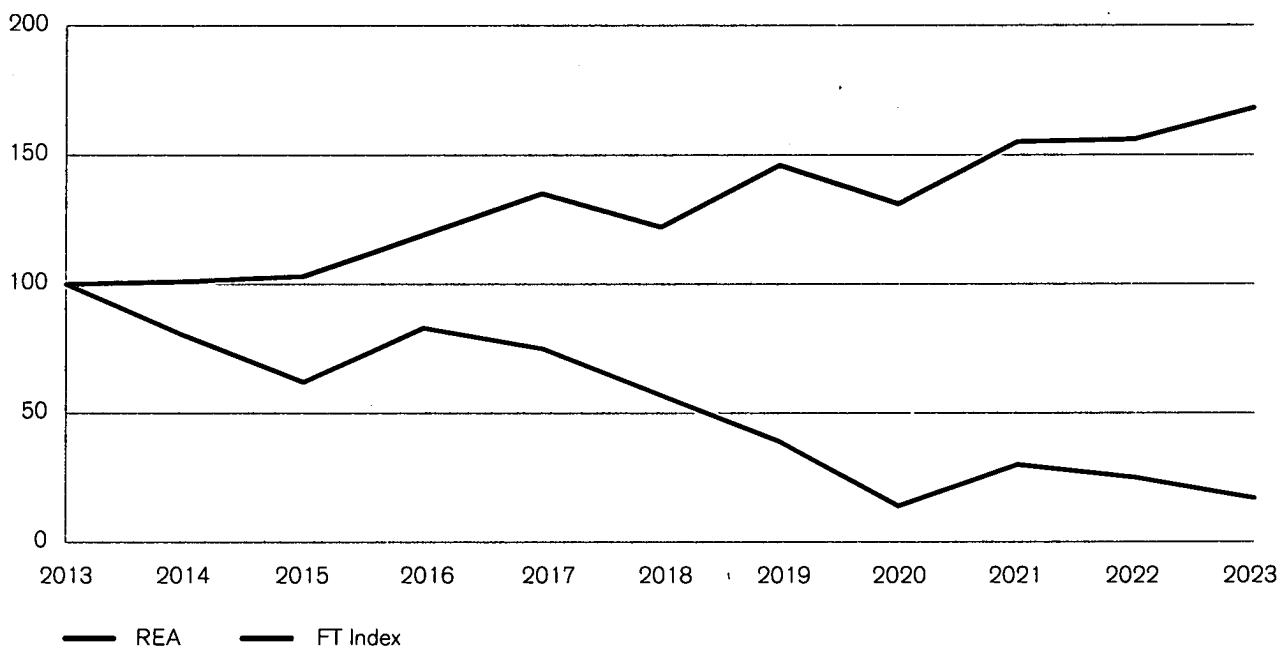
The exercise of vested entitlements depends upon continued employment with the group. In accordance with scheme rules, if a participant leaves, he may exercise a vested entitlement within six months of leaving.

In the event of a change in control of the company as a result of a takeover offer or similar corporate event, vested entitlements would be exercisable for a period of one month following the date of the change of control or other relevant event (as determined by the remuneration committee).

There are currently no participants in the 2015 scheme.

Performance graph and managing director remuneration table

The following graph shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE All Share Index also measured by total shareholder return. The FTSE All Share index has been selected for this comparison as there is no index available that is specific to the activities of the company.



Record of remuneration of the managing director

The table below provides details of the remuneration of the managing director over the ten years to 31 December 2023.

Managing director's remuneration		Single figure of total remuneration £'000	Annual bonus pay-out against maximum %	Long term incentive vesting rates against maximum opportunity %
2023	C E Gysin	603.8	81	N/A
2022	C E Gysin	557.9	80	N/A
2021	C E Gysin	538.5	83	N/A
2020	C E Gysin	494.2	57	N/A
2019	C E Gysin	439.8	35	N/A
2018	C E Gysin	473.3	67	N/A
2017	C E Gysin (for the period 21 February to 31 December 2017)	400.3	50	N/A
2017	M A Parry (for the period 1 January to 20 February 2017*)	412.8	N/A	N/A
2016	M A Parry	617.3	92	N/A
2015	M A Parry	541.7	88	N/A
2015	J C Oakley	473.9	60	N/A
2014	J C Oakley	453.3	67	N/A

* Includes £200,000 ex gratia payment for loss of office pursuant to a resolution of shareholders in 2017

Governance

Directors' remuneration report

continued

Percentage change in remuneration

The table below shows the percentage changes in the remuneration of each director and in the average remuneration (on a full time equivalent basis) of employees of the company in the UK and of certain senior managers in Indonesia between 2020 and 2023. The selected comparator employee group is considered to be the most relevant taking into consideration the nature and location of the group's operations. Using the entire employee group would involve comparison with a workforce in Indonesia, whose terms and conditions are substantially different from those pertaining to employment in the UK. The 2020, 2021 and 2022 remuneration of the selected group has been restated at prevailing average exchange rates for 2023 so as to eliminate distortions based on exchange rate movements of the rupiah and dollar against sterling.

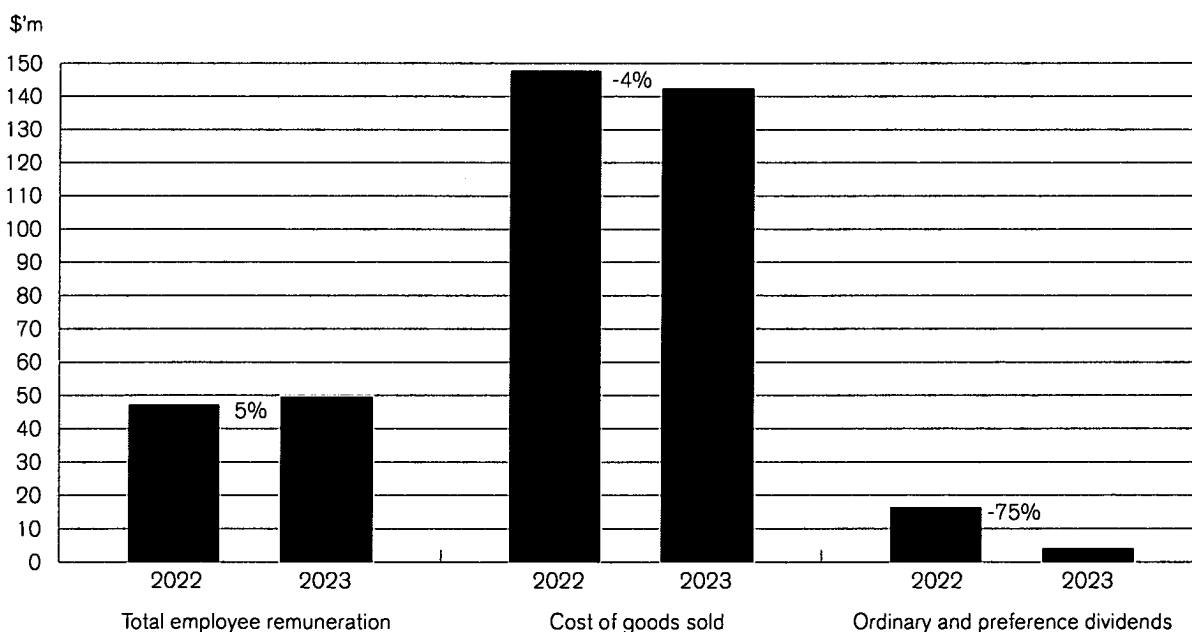
Percentage change in remuneration (FTE)	C E Gysin	D J Blackett	M Djalil/ I Chia*	J C Oakley**	R M Robinow	R Satar	M A St. Clair- George	Employees
2022-2023								
Salary and fees	8.5	8.5	9.9	9.9	8.5	9.1	9.1	7.0
All taxable benefits	12.5	-	-	-	8.8	-	-	4.4
Annual bonuses	6.7	-	-	-	-	-	-	0.4
Total	8.2	8.5	9.9	9.9	8.5	9.1	9.1	5.5
2021-2022								
Salary and fees	4.0	4.0	4.0	(70.3)	4.0	3.7	3.7	4.1
All taxable benefits	(0.6)	-	-	-	0.0	-	-	(8.1)
Annual bonuses	3.4	-	-	-	-	-	-	2.2
Total	3.6	4.0	4.0	(70.3)	3.6	3.7	3.7	3.6
2020-2021								
Salary and fees	0.0	3.0	3.7	(22.8)	3.0	3.4	3.4	(2.2)
All taxable benefits	(2.1)	-	-	-	18.6	-	-	13.8
Annual bonuses	45.0	-	-	-	-	-	-	(2.8)
Total	9.2	3.0	3.7	(22.8)	4.2	3.4	3.4	(2.0)

* I Chia retired 31 December 2021. M Djalil was appointed 4 July 2022

** Fees paid to J C Oakley in 2020 and 2021 include additional remuneration for his assistance with various operational projects. Such additional duties ceased at the end of 2021

Relative importance of spend on pay

The graph below shows the movements between 2022 and 2023 in total employee remuneration, cost of goods sold and ordinary and preference dividends. Cost of goods sold has been selected as an appropriate comparator as it provides a reasonable measure of the growth in the group's activities.



Functions of the remuneration committee

The remuneration committee currently comprises independent non-executive directors, Michael St. Clair-George (chairman) and Rizal Satar. The committee sets the remuneration and benefits of the executive directors. The committee is also responsible for long term incentive arrangements, if any, for key senior executives in Indonesia.

The committee does not use independent consultants but takes into consideration external guidance, including annual publications by leading audit firms regarding directors' remuneration in smaller (FTSE SmallCap) companies.

Service contracts of directors standing for re-election

David Blackett, Mieke Djalil, Carol Gysin, John Oakley, Richard Robinow, Rizal Satar and Michael St. Clair-George are proposed for re-election at the forthcoming AGM. Carol Gysin, the managing director and sole executive director, has a service contract of which the unexpired term is nine months. All the non-executive directors have contracts for services to the company which are terminable at will by either party.

Statement of voting at general meeting

At the annual general meeting held on 8 June 2023, votes lodged by proxy in respect of the resolution to approve the 2022 directors' remuneration report were as follows:

	Votes for	Percentage for	Votes against	Percentage against	Total votes	Votes withheld
Voting on remuneration report*	45,615,964	100	368	0.0	45,616,332	59,582

* Includes votes in respect of both ordinary and preference shares

The company pays due attention to voting outcomes. Where there are substantial votes against resolutions in relation to directors' remuneration, relevant information pertaining to such votes will be published on the group's website, the reasons for any such vote will be sought, and any actions in response will be detailed in the next directors' remuneration report.

Policy Report

The information provided in this part of the Directors' remuneration report is not subject to audit.

The remuneration policy detailed below is subject to approval at the company's 2024 AGM on 6 June 2024 in accordance with the CA 2006 (Strategic Report and Directors Report) Regulations 2013 requiring all companies to put their remuneration policy to shareholders for approval at least every three years. The policy is unchanged from the policy approved by shareholders on 10 June 2021. The remuneration of directors approved in respect of 2024 is consistent with this policy.

Governance

Directors' remuneration report

continued

Future policy tables

The table below provides a summary of the key components of the company's policy in respect of the remuneration package for directors. In determining and implementing such policy, the company seeks to ensure that arrangements are clear and transparent, straightforward, predictable as regards the range of any discretionary awards, and proportionate in terms of targets and values in the context of the company's business and strategy. It is not the policy of the company to provide for possible recovery after payment of directors' remuneration except in respect of awards under the 2015 long term incentive plan (of which, currently, there are none).

	Purpose	Operation	Opportunity	Applicable performance measures
Executive directors				
Salary and fees	To provide a competitive level of fixed remuneration aligned to market practice for comparable organisations, reflecting the demands, seniority and location of the position and the expected contribution to achievement of the company's strategic objectives	Reviewed annually with annual increases effective from 1 January by reference to: the rate of inflation, specific responsibilities and location of the executive, current market rates for comparable organisations, rates for senior employees and staff across the operations, and allowing for differences in remuneration applicable to different geographical locations	Within the second or third quartile for similar sized companies	None
Taxable benefits	To attract, motivate, retain and reward fairly individuals of suitable calibre	Benefits customarily provided to equivalent senior management in their country of residence	The cost of providing the appropriate benefits, subject to regular review to ensure that such costs are competitive	None
Annual bonus	To incentivise performance over a 12 month period, based on achievements linked to the company's strategic objectives	Annual review of performance measured against prior year progress in corporate development, both commercial and financial, and including objectives relating to sustainability and governance	Up to a maximum of 50 per cent of annual base salary	A range of objectives for the respective director, reflecting specific goals for the relevant year, with weighting assessed annually on a discretionary basis depending upon the dominant influences during the year to which a bonus relates
Long term incentives	To provide incentives, linked to ordinary shares, with a view to participation by the director over the long term in the value that a director helps to create for the group	The grant of rights to acquire shares or to receive cash payments vesting by reference to the achievement over a defined period of certain key performance targets	Cumulative unvested awards, measured at face value on dates of grant, limited to 150 per cent of prevailing annual base salary (200 per cent in exceptional circumstances)	Total shareholder return, cost per tonne of CPO produced, and the annual extension planting rate achieved in proportions considered at the remuneration committee's discretion appropriate to the company's objectives at the time of making any award
Pensions	Compliance with prevailing legislation	Compliance with prevailing legislation	Compliance with prevailing legislation	None

	Purpose	Operation	Opportunity	Applicable performance measures
Non-executive directors				
Fees	To attract and retain individuals with suitable knowledge and experience to serve as directors of a listed UK company engaged in the plantation business in Indonesia	Determined by the board within the limits set by the articles of association and by reference to comparable organisations and to the time commitment expected; reviewed annually		
Fees for additional duties	An additional flat fee in each year in respect of membership of certain committees and additional fees in respect of particular services performed	Determined by the board having regard to the time commitment expected and with no director taking part in the determination of such additional remuneration in respect of himself; reviewed annually		
Taxable benefits	Continuance of previously agreed arrangements	The provision of private medical insurance, subject to regular review to ensure that the cost is competitive		

The policies on remuneration set out above in respect of executive directors are applied generally to the senior management and executives of the group but adjusted appropriately to reflect the position, role and location of an individual. Remuneration of other employees, almost all of whom are based in Indonesia, is based on local and industry benchmarks for basic salaries and benefits, subject as a minimum to an annual inflationary adjustment, and with additional performance incentives as and where this is appropriate to the nature of the role.

Approach to recruitment remuneration

In setting the remuneration package for a newly appointed executive director, the committee will apply the policy set out above.

Base salary and bonuses, if any, will be set at levels appropriate to the role and the experience of the director being appointed and, together with any benefits to be included in the remuneration package, will also take account of the geographical location in which the executive is to be based. The maximum variable incentive which may be awarded by way of annual bonus will be 50 per cent of the annual base salary and by way of long term incentive will be 150 per cent of annual base salary, except in exceptional circumstances when the maximum long term incentive would be 200 per cent of annual base salary.

In instances where a new executive is to be domiciled outside the United Kingdom, the company may provide certain relocation benefits to be determined as appropriate on a case by case basis taking account of the specific circumstances and costs associated with such relocation.

Directors' service agreements and letters of appointment

The company's policy on directors' service contracts is that contracts should have a notice period of not more than one year and a maximum termination payment not exceeding one year's salary. No director has a service contract that is not fully compliant with this policy.

Contracts for the services of non-executive directors may be terminated at the will of either party, with fees payable only to the extent accrued to the date of termination. Continuation of the appointment of each non-executive director depends upon satisfactory performance and re-election at annual general meetings in accordance with the articles of association of the company and the provisions of the UK Corporate Governance Code.

Governance

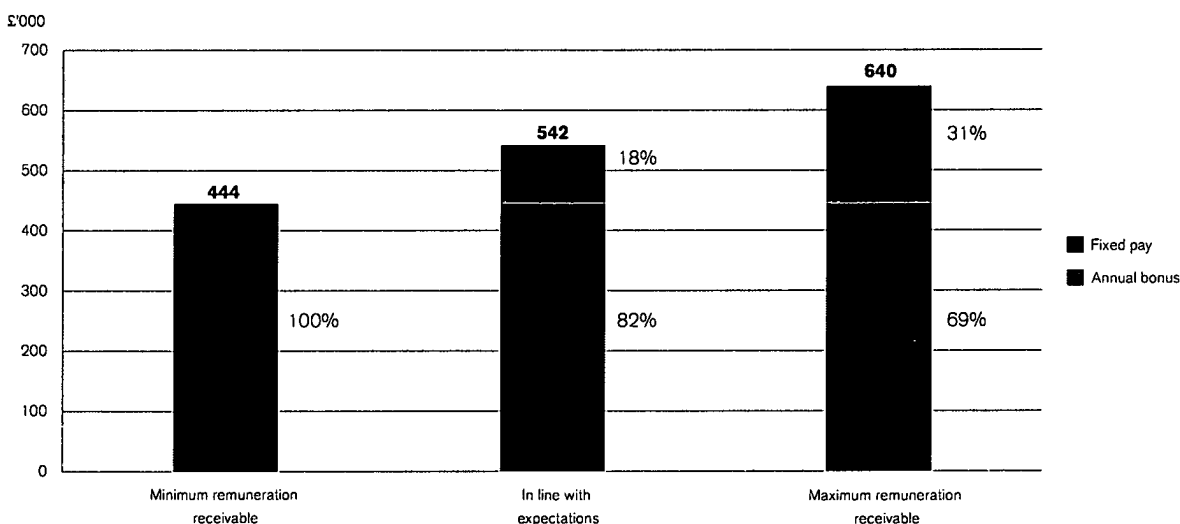
Directors' remuneration report

continued

Carol Gysin has two service agreements whereby her working time and remuneration are shared between two employee companies to reflect the division of responsibility between different parts of the group. The contracts state that her appointment shall continue until automatically terminated on 31 January 2025 without the need for notice unless it is previously terminated by either party giving the other at least 12 months' prior written notice expiring before 31 January 2025. As at the date of this report, the unexpired term under Carol Gysin's contracts was nine months. The nomination committee will consider the arrangements in respect of Carol Gysin prior to 31 December 2024, so as to leave sufficient time to make suitable arrangements to ensure continuity for the company and its shareholders.

Illustration of application of remuneration policy

The chart below provides estimates of the potential remuneration receivable pursuant to the remuneration policy by the managing director (being the only executive director) and the potential split of such remuneration between its different components (being the fixed component, the annual variable component and the long term variable component) under three different performance scenarios: minimum, in line with expectations and maximum. The long term variable component in respect of 2023 is nil.

Managing director

The figures reflected in the chart above have been calculated against the policies that were applicable throughout 2023 and on the basis of remuneration payable in respect of 2024.

Payment for loss of office

It is not company policy to include provisions in directors' service contracts for compensation for early termination beyond providing for an entitlement to a payment in lieu of notice if due notice is not given.

The company may cover the reasonable cost of repatriation of any expatriate executive director and the director's spouse in the event of termination of appointment, other than for reasons of misconduct, and provided that the move back to the director's home country takes place within a reasonable period of such termination.

Consideration of employment conditions elsewhere in the company

In setting the remuneration of executive directors, regard will be had to the levels of remuneration of expatriate employees overseas and to the increments granted to employees operating in the same location as the relevant director. Employee views are not specifically sought in determining this policy. Employee salaries will normally be subject to the same inflationary adjustment as the salaries of executive directors in their respective locations.

Shareholder views

Shareholders are not specifically consulted on the remuneration policy of the company. Shareholders who have expressed views on remuneration have supported the company's policies and the application of those policies to date. Were a significant shareholder to express a particular concern regarding any aspect of the policy, the views expressed would be carefully weighed.

DocuSigned by:

Michael Anthony St Clair-George

0CE6D8919EDB4D0...

Approved by the board on 24 April 2024 and signed on behalf of the board by

MICHAEL A ST. CLAIR-GEORGE

Chairman of the remuneration committee

Governance

Directors' responsibilities

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

UK company law requires the directors to prepare financial statements for each financial year. Under company law, the directors are required to prepare the group financial statements in accordance with UK adopted IFRS and have also chosen to prepare the company financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK adopted IFRS have been followed for the group financial statements and UK Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that its financial statements comply with the CA 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

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

- the group financial statements, prepared in accordance with UK adopted IFRS, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the company and the subsidiary undertakings included in the consolidation taken as a whole;
- the company financial statements, prepared in accordance with UK Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, give a true and fair view of the company's assets, liabilities, and financial position of the company;
- the **Strategic report** and **Directors' report** include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's and the company's position, performance, business model and strategy.

DocuSigned by:

David Blackett

1238529C6924455...

Approved by the board on 24 April 2024 and signed on behalf of the board by

DAVID J BLACKETT

Chairman

Governance

Independent auditor's report to the members of R.E.A. Holdings plc

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of R.E.A Holdings plc. For the purposes of the table on pages 82 to 85 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The Group financial statements, as defined below, consolidate the accounts of R.E.A. Holdings Plc and its subsidiaries (the "Group"). The "Parent Company" is defined as R.E.A. Holdings Plc, as an individual entity. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of R.E.A Holdings plc for the year ended 31 December 2023. The financial statements that we have audited comprise:

- the Consolidated Income Statement
- the Consolidated Statement of Comprehensive Income
- the Consolidated Balance Sheet
- the Consolidated Statement of Changes in Equity
- the Consolidated Cash Flow Statement
- Notes 1 to 45 to the consolidated financial statements, including significant accounting policies (group)
- the Company Balance Sheet
- the Company Statement of Changes in Equity and
- Notes (i) to (xviii) to the company financial statements, including significant accounting policies (group).

The financial reporting framework that has been applied in the preparation of the Group's financial statements is applicable law and UK adopted international financial reporting standards ("UK adopted IFRS"). The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- The Group's financial statements have been properly prepared in accordance with UK adopted IFRS;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Group's and the Parent Company's operations and specifically their business model.
- Assessing for reasonableness the assumptions applied in the going concern assessment cash flow forecast.
- Assessing the CPO price movements throughout the year and for a period post year end to determine if this provides any indications to a possible going concern issue.
- Reviewing recent production and trading activity to verify the results following the year end, to verify the underlying data on which the going concern assessment is based.

Governance

Independent auditor's report to the members of R.E.A. Holdings plc continued

- Testing the mathematical accuracy and appropriateness of the model used to prepare the forecast.
- The evaluation of the base case scenarios and stress scenarios, in respect of the Group, and the respective sensitivities and rationale.
- Review of facilities, covenant compliance and liquidity requirements both during the year and during the going concern period.
- Assessing the Groups going concern related financial statements disclosures.
- Viability assessments at Group and Parent Company levels, including consideration of reserve levels and business plans.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the company's financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Scope

Our audit was scoped by obtaining an understanding of the Group, including the Parent Company, and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

We, and our component auditors acting on specific group instructions, undertook full scope audits on the complete financial information of 7 components, specified audit procedures on particular aspects and balances on another 2 components and analytical procedures were undertaken on the remaining 5 components.

Materiality	2022	2021	Benchmark Used
Group	\$3.6m	\$4.4m	1.5% (2022: 1.5%) of Plantation assets
Parent Company	\$2.6m	\$2.7m	1% (2022: 1%) of gross assets

Key audit matters

Recurring

- Impairment of plantation assets
- Recoverability of loans to stone, sand and coal interests

Our assessment of the Group's key audit matters is consistent with 2022 except for:

- The removal of the key audit matter in relation to the valuation and presentation of dollar loan notes, which was a key audit matter in 2022, due to a change in terms of the loans notes during that period.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Plantations

Key audit matter description

Plantations, as defined by the Group, which includes goodwill, intangible assets, plantings, buildings and structures and land, had a book value of \$355.6m at 31 December 2023 (\$413m at 31 December 2022). There is a risk of impairment due to the losses experienced in the prior years and due to the volatility of Crude Palm Oil (CPO) prices.

The valuation of these cash generating units rely on certain assumptions and estimates in relation to the ability of the underlying plantations to generate suitable future cash flows. A key input to the valuation is the CPO price which requires the judgement of the directors. The CPO price is known to be volatile, and the use of an inappropriate CPO price could have a material impact on the valuation of plantation assets.

The discount rate used is also a key input to the valuation and requires the judgement of the directors. The calculation of the discount rate includes certain inputs that are judgemental. The use of an inappropriate discount rate could have a material impact on the valuation of plantation assets.

As disclosed in note 3, critical accounting judgements and key sources of estimation uncertainty, management has performed a sensitivity analysis which involves judgement over the potential impact of a change in CPO pricing and the discount rate used.

Further details are included within critical accounting estimates and judgements note in note 3.

How the scope of our audit responded to the key audit matter

Our work over the valuation of plantations included:

- Obtaining an understanding of the review controls over the impairment assessment including the CPO price and discount rate assumptions to ensure there is an appropriate management review control;
- Assessing arithmetic workings of the model and the integrity of the formulae used;
- Comparing CPO prices used to the Group's average selling price over the past 10 years to assess reasonableness;
- Reviewing forecast inflation adjustments included in the CPO price calculation for reasonableness;
- Reviewing publicly available news articles and other publications commenting on the expectations for the CPO price and global demand and supply;
- Assessing the level of impairment at different CPO prices;
- Assessing the appropriateness of the methodology used in calculating the discount rate, including input from independent specialists acting as auditor experts;
- Corroborating the inputs to the calculation of the discount rate and assessing the appropriateness of the inputs used;
- Challenging management to understand how they concluded that their price and discount rate assumptions were appropriate;
- Reviewing the yield assumptions made as part of the impairment assessment comparing to historic and market data and assessing the reasonableness;
- Reviewing the events after the reporting period for matters which may have a bearing on the valuation model;
- Reviewing the sensitivity analysis prepared by management on palm oil price and discount rate changes and stress testing based on those sensitivities; and
- Reviewing the disclosures in the financial statements against the relevant reporting requirements

Key observations communicated to the Group's Audit Committee

We have concluded that the carrying value of plantations are accurate and that the management assessment that no impairment is required is reasonable. The conclusion that there is no impairment is dependent on the assumptions relating to the CPO price and discount rate and therefore certain sensitivities are disclosed in the notes to the accounts. Our review of these assumptions and sensitivity disclosures found these to be materially appropriate.

Governance

Independent auditor's report to the members of R.E.A. Holdings plc continued

Recoverability of loans to stone, sand and coal interests

Key audit matter description

The Group holds loans made to stone and coal concession holding companies in Indonesia for which control is outside of the Group. We have focused our work on the stone concession as the stone company has guaranteed the loans of the coal companies and the majority of the value lies in the stone concession. The recoverability of these loans relies on certain assumptions and estimates in relation to the likelihood of the underlying investments generating suitable future cash flows.

At 31 December 2023 the carrying value of the loans was \$57.6m, an increase from \$41.3m at 31 December 2022 (see note 20). We have identified a significant risk surrounding whether the underlying assets of the counterparties will generate suitable future cash flows in order to repay the loans made by R.E.A. Holdings plc. We have pinpointed the risk to be the level of resources available as the majority of the value in the discounted cash flow model (DCF) is subject to the level of resources successfully mined. Other important assumptions identified are the discount rate, selling price and FX rate.

How the scope of our audit responded to the key audit matter

We have challenged management's plans and cash flow forecasts in relation to the mining operations to support the value of investments in the stone, sand and coal interests. Our work on the significant risks and the DCF model included:

- Agreeing stone reserves and costs to third party mining and engineering reports;
- Assessing the results, including costs, to date of revenue generating interests against expectations;
- Considering evidence gained from third party sources for the demand of stone to assess whether this supports the start date and the lifetime of mining operations;
- Obtaining an understanding of the review control over the impairment assessment to ensure there is an appropriate review of the calculation and underlying assumptions;
- Assessing the appropriateness of the methodology used in calculating the discount rate, including input from independent specialists acting as auditor experts;
- Challenging the expected price of stone, sand and coal by comparison to recent third-party quotations;
- Checking the numerical accuracy of the impairment model; and
- Reviewing the disclosures in the financial statements against the relevant reporting requirements

Key observations communicated to the Group's Audit Committee

We have concluded that the carrying value of loans to stone, sand and coal interests are accurate and that the management assessment of impairment is reasonable. The conclusions are dependent on the assumptions relating to the stone price, production volume and discount rate and therefore certain sensitivities are disclosed in note 3 to the financial statements. Our review of these assumptions and sensitivity disclosures found these to be materially appropriate

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

	Group financial statements	Parent Company financial statements
Overall materiality	US\$3.6 million (2022: US\$ 4.4 million)	US\$ 2.6 million (2022: US\$ 2.7 million)
How we determined it	<p>1.5% of plantation assets (excluding goodwill and intangible assets) (2022: 1.5% of plantation assets)</p> <p>We have defined plantation assets as the sum of:</p> <ul style="list-style-type: none"> ▪ Plantings – \$79m ▪ Buildings & Structures – \$161m ▪ Biological Assets – \$3m 	<p>1.0% of Parent Company's gross assets (2022: 1.0% of Parent Company's gross assets)</p>
Rationale for the benchmark applied	<p>We consider the valuation of plantation assets is a key indicator for the current and future performance of the Group. It is the KPI of critical interest to the users of the financial statements of R.E.A. Holdings plc as it is the key measure of the Group's success in developing its palm oil plantations and is an indicator of future revenue generation. For the purposes of our materiality calculation, goodwill, intangible assets and land have been excluded from plantation assets.</p> <p>We consider this approach of using a balance sheet metric to be more appropriate than an assessment using a profit-based metric given the nature of the Group which is exposed to cyclical commodity price fluctuations and to there-fore provide a more stable base reflective of the scale of the Group's size and operations.</p> <p>We set our 2023 performance materiality at 60% of overall materiality, amounting to \$2.2m (2022: 60%) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors -- the history of misstatements, our risk assessment and the strength and robustness of the control environment.</p>	<p>The Parent Company is a holding company whose purpose is to consolidate the active trading entities and other Group companies. We consider gross assets to be the most important balance to the users of the financial statements.</p> <p>We set our 2023 performance materiality at 60% of overall materiality, amounting to \$1.56m (2022: 60%) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors – the history of misstatements, our risk assessment and the strength and robustness of the control environment.</p>

We agreed to report any corrected or uncorrected adjustments exceeding \$182,000 (2022: \$219,000) and \$130,000 (2022: \$135,000) in respect of the Group and Parent Company respectively to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

Overview of the scope of the Group and Parent Company audits

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

The Group's parent entity, head office and services company are UK based, whilst the plantations are based in Indonesia and the financing company is based in the Netherlands.

Governance

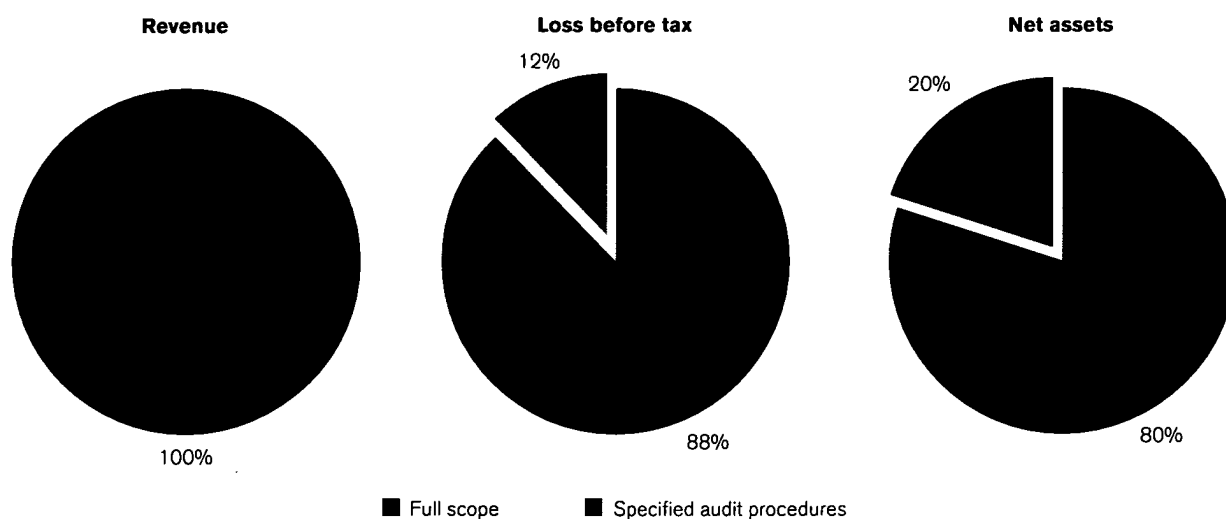
Independent auditor's report to the members of R.E.A. Holdings plc continued

Considering operational and financial performance and risk factors, we focused our assessment on the significant components and performed full scope audits of three UK entities and four significant Indonesian plantation components PT R.E.A. Kaltim Plantations (RKP), PT Cipta Davia Mandiri (CDM), PT Sasana Yudha Bhakti (SYB) and PT Kutai Mitra Sejahtera (KMS) along with specified group level audit procedures on the material external balances at the non-significant Indonesian components and the Dutch financing company, REA Finance B.V.. At the year end, CDM was reclassified as Held for Sale with the expectation of divestment during 2024.

Our audit of the Group financial statements also involved the use of component auditors. The group audit team provided comprehensive instructions to those component auditors. These instructions included details of the identified risks of material misstatement including those risks identified above. Those instruction also included an assessment of component materiality.

The group audit team discussed and agreed the proposed approach to addressing these risks with the component auditors and the nature and form of their reporting on the results of their work. The group team conducted reviews of the working papers prepared by component auditors using remote file reviews. They also participated in conference calls at various phases of the audit engagement as part of their management and control of the group audit engagement.

The work over the significant components, combined with the specific targeted procedures on REA Finance B.V., PT Prasetya Utama and PT KCC Resources Indonesia, gave us coverage of 100% of revenue and we performed analytical review procedures over the remaining trading entities to ensure we had the evidence needed to form our opinion on the financial statements as a whole.



Notes:

Full scope refers to the conduct of an audit of the components underlying financial information in accordance with ISAs UK. Limited scope incorporates those circumstances where component auditors have been instructed to perform certain procedures on financial statements areas or specific financial statement line items for individual components.

Component auditors of lower risk components will usually be instructed to conduct a review of the financial position and performance of the component comparing the actual performance of that component with their valid expectations based on their knowledge of the entity and any known changes in its operational environment and investigating any unusual or unexpected results.

Some components have been identified as being immaterial to the Group individually and in aggregate.

Material subsidiaries were determined based on:

- financial significance of the component to the Group as a whole; and
- assessment of the risk of material misstatements applicable to each component.

At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The control environment

We evaluated the design and implementation of those internal controls of the Group, including the Parent Company, which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness but did not place reliance on controls over the key business cycles.

Climate-related risks

In planning our audit and gaining an understanding of the Group, including the Parent Company, we considered the potential impact of physical and transitional climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation and reports relating to management's assessment and held discussions with management to understand their process for identifying and assessing those risks.

We engaged our climate risk audit specialists to assess, amongst other factors, the benchmarks used by management, the nature of the Group's business activities, its processes and the geographic distribution of its activities. We critically reviewed management's assessment and challenged the assumptions underlying their assessment. We considered the mitigating actions taken by the Group to reduce its exposure to climate-related risks, and factored these into our evaluation of management's assessment. We have agreed with managements' assessment that climate-related risks are not material to these financial statements.

We also designed our audit procedures to specifically consider those assets where we anticipated, based on the work performed, that the highest impact arising from climate change might fall. We specifically audited cash flows supporting the carrying values of Cash Generating Units (CGUs) where climate impacts are anticipated, and evaluated the valuation of material assets that could be susceptible to physical or transitional climate risks. We considered the ongoing viability of the business in respect both to physical climate risks and changes in legislation as nations implement their commitments to reduce greenhouse gas emissions.

Reporting on other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Directors' remuneration report

Those aspects of the director's remuneration report which are required to be audited have been prepared in accordance with applicable legal requirements.

Governance

Independent auditor's report to the members of R.E.A. Holdings plc continued

Corporate governance statement

We have reviewed the Directors' Statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 51;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate set out on page 50;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 51;
- Directors' statement on fair, balanced and understandable set out on page 80;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 42;
- Section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on page 69; and
- Section describing the work of the Audit Committee set out on page 66.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.22, 7.23 and 7.27 of the FCA Rules.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report;
- the Directors' Report; or
- the information about internal control and risk management systems in relation to the financial reporting process and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received by branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector, the control environment, business performance including remuneration policies and the Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group and Parent Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Group.
- We enquired of the directors and management including the audit committee concerning the Group's and the Parent Company's policies and procedures relating to:
 - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal

Governance

Independent auditor's report to the members of R.E.A. Holdings plc continued

risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates. The group engagement team shared this risk assessment with the Component Auditors of Significant Subsidiaries so that they could include appropriate audit procedures in response to such risks in their work.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's and the Parent Company's board and Audit Committee meetings,
- Audit procedures performed by the engagement team in connection with the risks identified included:
 - enquiry of management to identify any instances of known or suspected instances of fraud.
 - obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. We obtained this understanding through assessing the risk register of the Group and understanding the Group's response to assessing the legal and regulatory frameworks that apply to it. In addition, we leveraged our understanding of the legal and regulatory framework applicable to UK listed entities and to those in plantation sector. This included, but was not limited to, discussions with the Group's key legal advisers and review of minutes of the Group's various governance committees.
 - we considered the key laws and regulations applicable to the company including UK Companies Act, Listing Rules, and tax legislation. In addition, we considered compliance with the employee legislation and environmental regulations as fundamental to the Group's operations;
 - discussing among the engagement team including significant component audit teams and involving relevant internal specialists
 - enquiring of the Audit Committee concerning actual and potential litigation and claims;
- evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular, with respect to valuations of plantation assets and valuations of loans to stone, sand and coal interests:
- identifying and testing journal entries, in particular, any journal entries posted with understatement of costs, journals that are backdated or posted by senior management;
- the use of data analytics software to interrogate the journals posted in the year and to review areas where the incentive to override controls may be greatest. We also used our data analytics tool to identify potential transactions with related parties.
- review of legal expenses incurred for evidence of potential undisclosed contingent liabilities

Other requirements

Following the recommendation of the Audit Committee, we were initially appointed by the members of the company by ordinary resolution at the Annual General Meeting held on 11 June 2020 and have been reappointed at subsequent Annual General Meetings. Our total uninterrupted engagement is 4 years.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Group, and we remain independent of the Group in conducting our audit.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

DocuSigned by:

Rakesh Shaunak

6715492BDE744D9...

Rakesh Shaunak FCA
(Senior Statutory Auditor)

for and on behalf of MHA, Statutory Auditor
London, United Kingdom
24 April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Group financial statements

Consolidated income statement

for the year ended 31 December 2023

	Note	2023 \$'000	2022 \$'000
Revenue	4	176,722	208,783
Net loss arising from changes in fair value of biological assets	6	(580)	(245)
Cost of sales	4	(142,415)	(147,804)
Gross profit		33,727	60,734
Distribution costs		(1,511)	(2,014)
Administrative expenses	7	(17,372)	(17,319)
Operating profit		14,844	41,401
Interest income	9	4,091	5,297
Losses on disposals of subsidiaries and similar charges	10	(26,051)	-
Other (losses) / gains	11	(4,669)	14,661
Finance costs	12	(17,460)	(19,313)
(Loss) / profit before tax	7	(29,245)	42,046
Tax	13	11,552	(9,160)
(Loss) / profit before tax		(17,693)	32,886
Attributable to:			
Equity shareholders		(10,241)	27,777
Non-controlling interests	36	(7,452)	5,109
		(17,693)	32,886
(Loss) / profit per 25p ordinary share (US cents)			
Basic	15	(32.7)	43.1
Diluted	15	(32.7)	39.5

All operations for both years are continuing.

Group financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Note	2023 \$'000	2022 \$'000
(Loss) / profit for the year		(17,693)	32,886
Other comprehensive income / (losses)			
Items that may be reclassified to profit or loss:			
Reclassification of foreign exchange differences on disposal of group companies		685	-
Loss arising on purchase of non-controlling interests taken to equity		(96)	-
		589	-
Items that will not be reclassified to profit or loss:			
Actuarial (loss) / gain	40	(449)	374
Deferred tax on actuarial (loss) / gain	30	99	(83)
		(350)	291
Total comprehensive (loss) / income for the year		(17,454)	33,177
Attributable to:			
Equity shareholders		(9,961)	28,027
Non-controlling interests		(7,493)	5,150
		(17,454)	33,177

Overview

Strategic report

Governance

Group financial statements

Company financial statements

Notice of AGM

Glossary

Group financial statements

Consolidated balance sheet

as at 31 December 2023

	Note	2023 \$'000	2022 \$'000
Non-current assets			
Goodwill	16	11,144	12,578
Intangible assets	17	1,593	1,836
Property, plant and equipment	18	297,255	354,028
Land	19	46,015	44,967
Financial assets	20	73,640	60,010
Deferred tax assets	30	15,012	3,000
Total non-current assets		444,659	476,419
Current assets			
Inventories	22	16,709	27,428
Biological assets	23	3,087	3,909
Trade and other receivables	24	28,254	31,440
Current tax asset		975	188
Cash and cash equivalents	25	14,195	21,914
Total current assets		63,220	84,879
Assets classified as held for sale	34	32,516	-
Total assets		540,395	561,298
Current liabilities			
Trade and other payables	33	(27,834)	(40,454)
Current tax liabilities		(1,462)	(1,462)
Bank loans	27	(17,413)	(16,390)
Other loans and payables	31	(14,891)	(5,712)
Total current liabilities		(61,600)	(64,018)
Non-current liabilities			
Trade and other payables	33	(16,841)	(9,757)
Bank loans	27	(94,361)	(100,730)
Sterling notes	28	(40,549)	(38,162)
Dollar notes	29	(26,572)	(17,842)
Deferred tax liabilities	30	(34,888)	(44,454)
Other loans and payables	31	(15,356)	(28,805)
Total non-current liabilities		(228,567)	(239,750)
Liabilities directly associated with assets held for sale	34	(16,109)	-
Total liabilities		(306,276)	(303,768)
Net assets		234,119	257,530
Equity			
Share capital	35	133,590	133,590
Share premium account		47,374	47,374
Translation reserve		(24,416)	(25,101)
Retained earnings		63,267	78,042
		219,815	233,905
Non-controlling interests	36	14,304	23,625
Total equity		234,119	257,530

DocuSigned by:

David Blackett

1238529C8924455...

Authorised and approved by the board on 24 April 2024 and signed on behalf of the board.

DAVID J BLACKETT

Chairman

Group financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Share capital (note 35) \$'000	Share premium \$'000	Translation reserve \$'000	Retained earnings \$'000	Subtotal \$'000	Non- controlling interests (note 36) \$'000	Total equity \$'000
At 1 January 2022	133,586	47,358	(25,101)	66,545	222,388	20,270	242,658
Profit for the year	-	-	-	27,777	27,777	5,109	32,886
Amendment to non-controlling interest	-	-	-	-	-	(295)	(295)
Other comprehensive income for the year	-	-	-	250	250	41	291
Exercise of warrants	4	16	-	-	20	-	20
Dividends to preference shareholders	-	-	-	(16,530)	(16,530)	-	(16,530)
Dividends to non-controlling interests	-	-	-	-	-	(1,500)	(1,500)
At 31 December 2022	133,590	47,374	(25,101)	78,042	233,905	23,625	257,530
Loss for the year	-	-	-	(10,241)	(10,241)	(7,452)	(17,693)
Reorganisation of subsidiaries	-	-	-	-	-	(1,978)	(1,978)
Other comprehensive income / (loss) for the year	-	-	685	(405)	280	(41)	239
Capital from non-controlling interest	-	-	-	-	-	150	150
Dividends to preference shareholders	-	-	-	(4,129)	(4,129)	-	(4,129)
At 31 December 2023	133,590	47,374	(24,416)	63,267	219,815	14,304	234,119

Overview

Strategic report

Governance

Group financial statements

Company financial statements

Notice of AGM

Glossary

Group financial statements

Consolidated cash flow statement

for the year ended 31 December 2023

	Note	2023 \$'000	2022 \$'000
Net cash from operating activities	38	29,625	16,699
Investing activities			
Interest received		4,019	2,058
Proceeds on disposal of PPE		3,054	1,517
Purchases of intangible assets and PPE	17,18	(21,756)	(19,095)
Expenditure on land	19	(5,093)	(1,327)
Net (investment) / repayment stone, sand and coal interests		(16,947)	17,018
Cash received from non-current receivables		1,574	-
Cash divested on disposal of group companies	37	(1,340)	-
Cash reclassified as assets held for sale		(674)	-
Proceeds on disposal of group companies	37	1,810	-
Net cash (used in) / generated by investing activities		(35,353)	171
Financing activities			
Preference dividends paid	14	(4,129)	(16,530)
Dividend to non-controlling interest	36	-	(1,500)
Repayment of bank borrowings	26	(15,773)	(39,243)
New bank borrowings drawn	26	6,098	30,400
Sale / (purchase) of dollar notes held in treasury	26	8,142	(8,570)
Repayment of borrowings from related party	26	-	(51)
Repayment of borrowings from non-controlling shareholder	26	(1,394)	(697)
New borrowings from non-controlling shareholder	26	10,000	-
New equity from non-controlling interests	36	150	-
Purchase of non-controlling interest		(1,575)	-
Cost of extension of redemption date of dollar notes		-	(252)
Proceeds from issue of ordinary shares		-	20
Repayment of lease liabilities	32	(2,846)	(2,670)
Net cash used in financing activities		(1,327)	(39,093)
Cash and cash equivalents			
Net decrease in cash and cash equivalents		(7,055)	(22,223)
Cash and cash equivalents at beginning of year		21,914	46,892
Effect of exchange rate changes		(664)	(2,755)
Cash and cash equivalents at end of year	25	14,195	21,914

Group financial statements

Notes to the consolidated financial statements**1. General information**

R.E.A. Holdings plc is a company registered in England and Wales under the CA 2006 with registration number 00671099. The company's registered office is at 5th Floor North, Tennyson House, 159-165 Great Portland Street, London W1W 5PA. Details of the group's principal activities are provided in the Strategic report.

Basis of accounting

The consolidated financial statements are prepared in accordance with UK adopted IFRS and with the requirements of the CA 2006, as applicable to companies reporting under IFRS. The statements are prepared under the historical cost convention except where otherwise stated in the accounting policies.

For the reasons given under Going concern in the Directors' report, the consolidated financial statements have been prepared on the going concern basis.

Presentational currency

The consolidated financial statements of the group are presented in dollars, which is considered to be the functional currency of the company and the currency of the primary economic environment in which the group operates and are rounded to the nearest thousand. References to \$ or dollar in these financial statements are to the lawful currency of the United States of America.

2. Material accounting policies**Adoption of new and revised standards**

New standards and amendments to IFRSs and IASs issued by the IASB that are mandatorily effective for an accounting period beginning on 1 January 2023 have been reviewed and have had no impact on the disclosures, or on the amounts reported, in these consolidated financial statements.

At the date of approval of these financial statements, the standards and interpretations which were in issue but not yet effective that have not been applied in these financial statements are set out below.

Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current were issued in January 2020 and are applied for annual periods beginning on or after 1 January 2024. The amendments clarify that the classification of liabilities as current or non-current should be based on the rights, in existence at the end of the reporting period, to defer settlement by at least twelve months and not on expectations about whether an entity will exercise these rights.

Amendments to IAS 1: Presentation of Financial Statements: Non-current liabilities with covenants were issued in October 2022. Where liabilities are classified as non-current but the right to defer is subject to complying with covenants within 12 months of the reporting date, additional disclosures are required. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. The amendments are applied for annual reporting periods beginning on or after 1 January 2024.

The directors do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the group in future periods.

Basis of consolidation

The group consolidated financial statements consolidate the financial statements of the company and entities controlled by the company (its subsidiary companies as listed in note (v) to the company's individual financial statements) made up to 31 December of each year.

A parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over that entity.

The acquisition method of accounting is adopted with assets and liabilities valued at fair values at the date of acquisition. The interest of non-controlling shareholders is stated at the non-controlling shareholders' proportion of the assets and liabilities recognised. Appropriate proportions of total comprehensive income are attributed to the owners of the parent and to

Group financial statements

Notes to the consolidated financial statements**Material accounting policies – continued**

non-controlling interests even if this results in the non-controlling interests having a deficit balance. Results of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition (when control is obtained) or to the effective date of disposal (when control is lost) within gains/losses on the acquisition/disposal of a subsidiary and similar charges. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

On acquisition, any excess of the fair value of the consideration given over the fair value of identifiable net assets acquired is recognised as goodwill. Any deficiency in consideration given against the fair value of the identifiable net assets acquired is recognised in the consolidated income statement in the period of acquisition as are any acquisition related costs. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill is recognised as an asset on the basis described under Basis of consolidation above and once recognised is not amortised although it is tested for impairment at least annually. Any impairment is debited immediately as a loss in the consolidated income statement and is not subsequently reversed. On the disposal or reclassification of a subsidiary as an asset held for sale, the attributable amount of any goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the goodwill attributable to a unit may be impaired.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment losses.

Intangible assets acquired separately are measured at cost on initial recognition. An intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost to the income statement over its expected useful life.

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. Amortisation is provided on a straight-line basis so as to charge the cost of the software to the income statement over its expected useful life, not exceeding eight years.

The expected useful life of development expenditure on computer software is four to eight years.

Assets held for sale

Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The directors must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable in respect of goods and services provided in the normal course of business, net of VAT and other sales related taxes.

Most of the group's sales are in respect of the sale of CPO and CPKO which are made on a mix of CIF (Cost, Insurance and Freight) and FOB (Free on Board) terms. Revenue is recognised in respect of the shipment of oil at the time of transfer to the buyer, that is upon the completion of the discharge of the applicable oil into the buyer's tank or vessel which is evidenced by a surveyor's report (CIF sales) or a bill of lading (FOB sales).

2. Material accounting policies – continued

Contract prices are negotiated based on prevailing market prices. Adjustments to contract prices may be made at the point of delivery if certain quality standards fall outside contracted parameters.

The group has prepaid sales contracts whereby advance payments are received for future product deliveries. No revenue is recognised until product delivery. The advance payments are recognised as contract liabilities until the revenue is recognised.

Income from services is accrued on a time basis by reference to the rate of fee agreed for the provision of services.

Commission income in respect of stone, sand and coal marketing services is recognised when the relative stone, sand or coal sales are completed, being in each case the point of delivery to the buyer.

Interest income is accrued on a time basis by reference to principal outstanding and at the effective interest rate applicable (which is the rate that exactly discounts estimated future cash receipts, through the expected life of the relative financial asset, to that asset's net carrying amount). Dividend income is recognised when the right to receive payment has been established.

Leases

The group leases boats for the transportation of CPO and CPKO and also leases office properties. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Land titles are not treated as leases, but as in-substance fixed assets, with no depreciation.

The lease liability is initially measured at the present value of the lease payment obligations, which include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The obligations are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the group's incremental borrowing rate is used, being the rate that the group would have to pay to borrow the funds necessary to acquire an asset of a similar value in a similar economic environment, with similar terms and conditions. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method as described above) and by reducing the carrying amount to reflect the lease payments made. The interest is charged to the consolidated income statement.

A right-of-use asset is measured at cost, which comprises the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received (e.g. rent free period)
- any initial direct costs, and
- restoration costs.

A right-of-use asset is subsequently depreciated over the shorter of the lease term and the asset's useful life on a straight-line basis.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the dates that the fair values were determined.

Group financial statements

Notes to the consolidated financial statements**2. Material accounting policies – continued**

Exchange differences are recognised in the consolidated income statement in the period in which they arise except for: (a) exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings; and (b) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss in the consolidated income statement on disposal or partial disposal of the net investment.

For consolidation purposes, the assets and liabilities of any group entity with a functional currency other than the dollar are translated at the exchange rate at the balance sheet date. Income and expenses are translated at the average rate for the period unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in translation reserve (or attributed to non-controlling interests if appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in translation reserve in respect of that operation and attributable to the owners of the operation are reclassified to profit or loss in the consolidated income statement, within gain/loss on disposal of subsidiaries and similar charges.

Goodwill and fair value adjustments arising on the acquisition of an entity with a functional currency other than the dollar are treated as assets and liabilities of that entity and are translated at the closing rate of exchange.

Borrowing costs

Borrowing costs incurred in financing construction or installation of qualifying property, plant or equipment are added to the cost of the qualifying asset, until such time as the construction or installation is substantially complete and the asset is ready for its intended use. Borrowing costs incurred in financing the planting of extensions to the developed agricultural area are treated as expenditure relating to plantings until such extensions reach maturity. All other borrowing costs are recognised in the consolidated income statement of the period in which they are incurred.

Operating profit

Operating profit is stated after any gain or loss arising from changes in the fair values of growing produce and agricultural produce inventory but before investment income, finance costs and impairments and similar charges that do not relate to operating activities.

Pensions and other post-employment benefits**United Kingdom**

Certain existing and former UK employees of the group are members of a multi-employer contributory defined benefit scheme. The estimated regular cost of providing for benefits under this scheme is calculated so that it represents a substantially level percentage of current and future pensionable payroll and is charged as an expense as it is incurred.

Amounts payable to recover actuarial losses, which are assessed at each actuarial valuation, are payable over a recovery period agreed with the scheme trustees. Provision is made for the present value of any future amounts payable by the group to cover its share of such losses. The provision is reassessed at each balance sheet date, with the difference on reassessment being charged or credited to the consolidated income statement in addition to the adjusted regular cost for the period.

Indonesia

In accordance with local labour law, the group's employees in Indonesia are entitled to lump sum payments on retirement. As required by IAS19: Employee benefits, the cost of these unfunded obligations are based on periodic assessments by independent actuaries as this arrangement is categorised as a defined benefit plan. Actuarial gains and losses are recognised in the statement of comprehensive income; any other increase or decrease in the provision is recognised in the consolidated income statement, net of amounts added to plantings within PPE.

2. Material accounting policies – continued

Taxation

The tax expense represents the sum of tax currently payable and deferred tax. Tax currently payable represents amounts expected to be paid (or recovered) based on the taxable profit (or loss) for the period using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but as respects which it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on specialist independent tax advice supported by previous experience in respect of such matters.

Deferred tax is calculated on the balance sheet liability method on a non-discounted basis on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding fiscal balances used in the computation of taxable profits (temporary differences). Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. A deferred tax asset or liability is not recognised in respect of a temporary difference that arises from goodwill or from the initial recognition of other assets or liabilities in a transaction which affects neither the profit for tax purposes nor the accounting profit.

Deferred tax is calculated using the tax rates and laws that are expected to apply in the periods when deferred tax liabilities are settled or deferred tax assets are realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or equity, in which case the deferred tax is also dealt with in, respectively, other comprehensive income or equity.

PPE – plantings

On application of the amendments to IAS41: Agriculture and IAS 16: Property, plant and equipment, the directors elected to state the group's plantings at deemed cost, being the fair value recognised as at 1 January 2015 less the fair value at that date of the growing produce which is disclosed in current assets under Biological assets. Additions after that date (which include interest incurred during the period of immaturity) are recognised at historical cost.

All expenditure on plantings up to maturity, including interest, is treated as addition to plantings. Expenditure to maturity includes an allocation of overheads to the point that oil palms are brought into productive cropping. Such overheads include general charges and the costs of the Indonesian head office (including in both cases personnel costs and local fees) together with costs (including depreciation) arising from the use of agricultural buildings, plantation infrastructure and vehicles.

Depreciation is not provided on immature plantings. Once plantings reach maturity, depreciation is provided on a straight-line basis at a rate that will write off the costs of the plantings by the date on which they are scheduled to be replanted, with a maximum of 25 years.

PPE – other

All PPE other than plantings is carried at original cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is computed using the straight line method so as to write off the cost of assets, other than property and plant under construction, over the estimated useful lives of the assets as follows:

- | | |
|---------------------------------|-----------------|
| • Buildings and structures | 20 to 67 years |
| • Plant, equipment and vehicles | 5 to 16 years |
| • Construction in progress | not depreciated |

The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds, less costs of disposal, and the carrying amount of the asset and is recognised in the consolidated income statement.

Land

Land comprises payments to acquire Indonesian licences over land for plantation purposes, together with related costs including permits, surveys and villager compensation. In view of the indefinite economic life associated with such licences, land is not depreciated.

Group financial statements

Notes to the consolidated financial statements**2. Material accounting policies – continued****Impairment of PPE and intangible assets excluding goodwill**

At each balance sheet date, the group reviews the carrying amounts of its PPE and intangible assets to determine whether there is any indication that any asset has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset (or cash generating unit) is the higher of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the asset (or cash generating unit) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

Where, with respect to assets other than goodwill, an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years.

Inventories

Inventories of agricultural produce are stated at the lower of cost and net realisable value but the cost of the FFB input into such inventories is taken, where such FFB is harvested from the group's estates, to be the fair value of that FFB at point of harvest. Inventories of engineering and other items are valued at the lower of cost, on the weighted average method, or net realisable value.

For these purposes, net realisable value represents the estimated selling price (having regard to any outstanding contracts for forward sales of produce) less all estimated costs of processing and costs incurred in marketing, selling and distribution.

Biological assets

Biological assets comprise the growing produce (FFB) on oil palm trees and are carried at fair value using a formulaic methodology to determine the value of the oil content of such produce at the balance sheet date.

Periodic movements in the fair value of growing produce are reflected in the consolidated income statement.

Recognition and derecognition of financial instruments

Financial assets and liabilities are recognised in the group's financial statements when the group becomes a party to the contractual provisions of the relative constituent instruments. Financial assets are derecognised only when the contractual rights to the cash flows from the assets expire or if the group transfers substantially all the risks and rewards of ownership to another party. Financial liabilities are derecognised when the group's obligations are discharged, cancelled or expire.

Financial assets

The group's financial assets comprise trade receivables and loans (including stone, sand and coal interests) and cash and cash equivalents. The group's receivables and loans are initially recognised at fair value plus transaction costs and subsequently at amortised cost under the effective interest method.

At each reporting date the company reviews the carrying amount of each asset carried at amortised cost. The company accounts for expected credit losses and changes in those expected credit losses to reflect changes in credit risk since initial recognition of the financial asset.

The group has applied the simplified approach under IFRS 9: Financial Instruments, and records lifetime expected losses on all trade receivables.

2. Material accounting policies – continued

For loans, the group measures expected credit losses by applying the general expected credit loss model under IFRS 9 (three stages of expected credit loss assessment).

Cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that have a maturity of not more than three months from the date of acquisition and are readily convertible to a known amount of cash and, being subject to an insignificant risk of changes in value, are stated at their nominal amounts.

Financial liabilities

The group's financial liabilities comprise redeemable instruments, bank borrowings, loans from non-controlling shareholder, trade payables and contract liabilities.

Redeemable instruments and bank borrowings

Redeemable instruments, being dollar and sterling note issues, and bank borrowings are classified in accordance with the substance of the relative contractual arrangements. Finance costs are charged to income on an accruals basis, using the effective interest method, and comprise, with respect to redeemable instruments, the coupon payable together with the amortisation of issuance costs (and any premia payable or expected by the directors to be payable on settlement or redemption) and, with respect to bank borrowings, the contractual rate of interest together with the amortisation of costs associated with the negotiation of, and compliance with, the contractual terms and conditions. Redeemable instruments are recorded in the accounts at their expected redemption value net of the relative unamortised balances of issuance costs and premia. Notes purchased by the group and held for resale are also deducted. Bank borrowings are recorded at the amounts of the proceeds received less subsequent repayments with the unamortised balance of issuance costs netted off the gross borrowing.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the group exchanges with the existing lender one debt instrument for another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the cash flows after modification is recognised in profit or loss as a modification gain or loss within other gains and losses.

Trade payables

All trade payables owed by the group are non-interest bearing and are stated at amortised cost.

Equity instruments

Instruments are classified as equity instruments if the substance of the relative contractual arrangements evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the company or by subsidiary companies to non-controlling interests are recorded at the proceeds received, net of direct issue costs not charged to income.

The preference shares of the company are regarded as equity instruments because the terms of the preference shares contain no provisions for their redemption and provide that the semi-annual dividend on the preference shares becomes payable only if it is resolved to make a distribution in respect of the preference shares.

Group financial statements

Notes to the consolidated financial statements**3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the group's accounting policies (see note 2) the directors are required to make judgements, estimates and assumptions. Such judgements, estimates and assumptions are based upon historical experience and other factors that are considered to be relevant. Actual values of assets and amounts of liabilities may differ from estimates. The judgements, estimates and assumptions are reviewed on a regular basis. Revisions to estimates are recognised in the period in which the estimates are revised.

Critical judgements in applying the group's accounting policies

The following are critical judgements not being judgements involving estimations (which are dealt with below) that the directors have made in the process of applying the group's accounting policies.

Land rights

The Indonesian system of land tenure for agricultural purposes (HGU) gives the licensee rights to cultivate agricultural land for periods of up to 35 years, followed by an extension and then further renewals of between 25 and 35 years. The directors have concluded that acquiring an HGU represents the in-substance purchase of an item of PPE. To reach this conclusion the directors have made the judgements that the initial payment to acquire an HGU is consistent with a payment to purchase the land and valid renewal requests will always be granted by the Indonesian administration (at least until a significant change in law or government policy occurs). The alternative would be to treat an HGU as the lease of land rights and so depreciate the cost over the period of the HGU.

Control of stone and coal concessions

Interest bearing loans have been made to Indonesian companies which own the rights to stone and coal concessions in East Kalimantan, Indonesia. In 2008, the company's subsidiary, KCC, entered into an option to acquire the shares of the concession holding companies at original cost but subsequent regulations, which limited foreign ownership of stone and coal concessions, meant that the option could not be exercised. Following recent further changes in the applicable regulations, which have to an extent relaxed the previous restrictions on foreign ownership of the concession holding companies, the group has initiated discussions with the current owner of the concession holding companies with a view to the group having some equity participation in those companies but, pending the outcome of such discussions and the receipt of necessary Indonesian regulatory approvals, the option arrangements are regarded as ineffective. For now, the directors have judged that they do not have the power to direct the operations of the stone and coal concession holding companies and that the group does not have rights to variable returns from the group loans to these companies. Had the directors judged otherwise, this would result in the derecognition of the group loans to the stone and coal concession holding companies of \$54.0 million, the consolidation of the assets and liabilities of those companies in the group balance sheet as at 31 December 2023 and the inclusion of their results in the consolidated income statement for the year ended 31 December 2023.

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Stone and coal interests

Loans to the stone and coal concession holding companies are carried in the consolidated balance sheet at \$54.0 million. A guarantee has been executed by the stone concession holding company in respect of the amounts owed to the group by the two coal concession holding companies. At each reporting date the stone concession holding company is tested for impairment using an expected credit loss model. As the company in question has only recently commenced production, a lifetime expected credit loss model is applied and the directors perform a look through to the value of the underlying stone rights. The stone concession valuation is particularly sensitive to the price at which the stone will be sold and, to a lesser extent, monthly production. The valuation model applied uses an average stone price of \$16.30 per tonne (2022: \$15.30 per tonne), monthly production of 104,000 tonnes (2022: 97,500 tonnes), and a post-tax discount rate of 7.0 per cent (2022: 7.0 per cent). The stone price would have to fall to \$14.30 per tonne or the monthly production fall to 76,000 tonnes (2022: stone price fall to \$12.20 per tonne or monthly production fall to 60,450 tonnes), before there would be any impairment.

3. Critical accounting judgements and key sources of estimation uncertainty – continued

Plantation assets

Plantation assets (including PPE, land, intangible assets and goodwill) are carried at \$355.6 million (2022: \$412.9 million) in the consolidated balance sheet. At 31 December 2023, each continuing group plantation company has been identified as a CGU and tested for impairment by calculating the value in use over 25 years. The 25 year forecast period reflects the nature and growth profile of the assets and their long term resilience to variations in climate and weather patterns and this is used to derive a net present value. The key assumptions in the model used are the CPO selling prices assumed and the discount rate applied. Impairment tests prepared in previous years were based on price forecasts published by the World Bank. The World Bank has stopped publishing long term commodity price forecasts so the base case has therefore been derived on a new pricing basis by calculating a ten year average of inflation adjusted CPO prices FOB Samarinda and then assuming that this price (\$719) is maintained throughout the 25 year period of the projections. (2022: commencing with a price of \$737 per tonne based on World Bank forecasts for the next 10 years extrapolated for 25 years). Viewing the group's plantation assets as a whole if there was an expectation that the price would be at \$600 per tonne (2022: \$592 per tonne) over the next 25 years (a possibility that is considered remote) then an impairment of \$10.0 million (2022: \$7.2 million) would be required being the difference between the carrying value of the assets and their value in use. The average price in 2023 was \$718 per tonne (2022: \$821 per tonne). The average price from 1 January 2024 to 31 March 2024 was \$744 per tonne (2023: \$760 per tonne). The discount rate applied was 8.3 per cent (2022: 8.5 per cent) on a pre-tax basis. If the discount rate was increased by 5.0 per cent to 13.3 per cent then no impairment would be required.

Retirement benefit obligations

The costs recorded in the financial statements are assessed in accordance with the advice of independent qualified actuaries, but require the exercise of significant judgement in relation to assumptions for long-term inflation, mortality and future salary and pension increases, and in the selection of appropriate rates at which to discount future liabilities (see note 40 for sensitivities to variations in the underlying assumptions).

4. Revenue and cost of sales

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

In 2023, three customers accounted for respectively 47 per cent, 19 per cent and 18 per cent of the group's sales of agricultural goods (2022: three customers, 64 per cent, 13 per cent and 13 per cent). As stated under Credit risk in note 26, substantially all sales revenue is receivable in advance of product delivery and accordingly the directors do not consider that these sales result in a concentration of credit risk to the group.

The crop of oil palm FFB for 2023 amounted to 762,259 tonnes (2022: 765,682 tonnes). The fair value of the crop of FFB was \$113.2 million (2022: \$131.6 million), based on the price formulae determined by the Indonesian government for purchases of FFB from smallholders.

Revenue from coal interests is marketing commission earned by the group's subsidiary KCCR1 on sales of coal by IPA.

Group financial statements

Notes to the consolidated financial statements**5. Segment information**

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

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

Carrying amount of non-current assets and other assets and liabilities by geographical area of asset location:

	2023 Europe \$'m	2023 Indonesia \$'m	2023 Total \$'m	2022 Europe \$'m	2022 Indonesia \$'m	2022 Total \$'m
Consolidated non-current assets	57.3	387.4	444.7	1.4	476.1	477.5
Consolidated current assets	4.3	58.9	63.2	9.3	84.1	93.4
Consolidated liabilities	(68.5)	(221.7)	(290.2)	(66.4)	(246.8)	(313.2)
Net (liabilities) / assets	(6.9)	224.6	217.7	(55.7)	313.4	257.7

Note: the 2023 figures exclude assets held for sale which are all in Indonesia

6. Changes in fair value of biological assets

This represents the change in the fair value of growing produce (FFB) on oil palms arising on the revaluation of the oil content of such produce at the balance sheet date and determined using a formulaic methodology.

In previous years the net gain or loss arising on the movement in the fair value of agricultural produce was included with this figure in the Consolidated income statement. To align with other palm oil companies the fair value movement has now been included in cost of sales with other agricultural produce inventory movements.

The amount reclassified to cost of sales was \$2.0 million in the year to 31 December 2022.

7. (Loss) / profit before tax

	2023	2022
	\$'000	\$'000
Salient items charged in arriving at (loss) / profit before tax		
Administrative expenses (see below)	17,372	17,319
Movement in agricultural produce	1,973	496
Movement in fair value of biological assets (see note 23)	580	245
Amortisation of intangible assets	374	65
Depreciation of PPE*	28,376	27,589

* Of which \$2.1 million (2022: \$2.5 million) is depreciation of right of use assets (see note 32)

Administrative expenses

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

Amounts payable to the company's auditor and its affiliates

The amount payable to MHA for the audit of the financial statements of the company and its subsidiaries was \$235,000 (2022: \$227,500).

The amount payable to MHA for other services in 2023 was \$115,000 in relation to the shareholder circular dated 25 January 2024 in respect of the proposals for the further investment by DSN in REA Kaltim, the potential sale of CDM and the intra-group sale and purchase of PU, and \$6,000 (2022: \$6,000) in respect of the report to the trustee regarding group compliance with covenants pursuant to the terms of the trust deed in respect of the dollar notes.

Amounts payable to affiliates of MHA for the audit of subsidiaries' financial statements was \$126,000 (2022: \$130,000) and for agreed upon procedures in respect of financial statements prepared in local currency was \$65,000 (2022: \$60,000).

	2023	2022
	\$'000	\$'000
Earnings before interest, tax, depreciation and amortisation		
Operating profit	14,844	41,401
Depreciation and amortisation	28,750	27,654
	43,594	69,055

Group financial statements

Notes to the consolidated financial statements**8. Staff costs, including directors**

	2023 Number	2022 Number
Average number of employees (including executive directors):		
Agricultural – permanent	9,085	8,526
Head office	6	6
	9,091	8,532
	\$'000	\$'000
The aggregate payroll costs comprised:		
Wages and salaries	45,406	42,878
Social security costs	2,514	2,263
Pension costs	1,618	2,147
	49,538	47,288

Details of the remuneration of directors are shown in the Directors' remuneration report.

9. Interest income

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

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

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

10. Losses on disposals of subsidiaries and similar charges

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

The impairment of asset held for sale is the effect of adjusting CDM's assets and liabilities to their fair value less cost to sell in line with the terms of the potential sale of CDM to DSN (see note 34).

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

11. Other (losses) / gains

	2023 \$'000	2022 \$'000
Change in value of sterling notes arising from exchange fluctuations	(2,199)	4,553
Change in value of other monetary assets and liabilities arising from exchange fluctuations	(2,042)	9,613
Gain arising on the extension of the redemption date of the dollar notes	–	495
Loss on sale of dollar notes held in treasury	(428)	–
	(4,669)	14,661

12. Finance costs

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

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

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

Group financial statements

Notes to the consolidated financial statements**13. Tax**

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

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

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2023 \$'000	2022 \$'000
(Loss) / profit before tax	(29,245)	42,046
Notional tax at the Indonesian standard rate of 22 per cent (2022: 22 per cent)	(6,434)	9,250
Tax effect of the following items:		
Interest expense not deductible	1,387	818
Other expenses not deductible	595	198
Exchange difference on deferred tax	(4,571)	3,291
Effect of change of tax rate on deferred tax	–	(399)
Prior year adjustments	1,673	(2,853)
Deferred tax adjustment relating to Indonesian asset valuations	–	(1,162)
Non taxable income	(71)	(103)
UK tax rates above / (below) Indonesian standard rate	24	(235)
Overseas withholding taxes, net of relief	418	850
Impairment	(5,034)	–
Tax losses not recognised for deferred tax purposes	303	112
Other movements	158	(607)
Tax (credit) / charge at effective tax rate for the year	(11,552)	9,160

The deferred tax current year credit of \$17.2 million comprises the following: a \$10.6 million credit arising on the impairment of CDM in the local accounts of REA Kaltim; a \$1.6 million credit in respect of tax losses created in the year (2022: \$1.2 million charge in respect of tax losses utilised), a \$4.6 million credit being exchange differences on deferred tax in the year (2022: \$3.3 million charge) and a credit of \$0.5 million in respect of PPE (2022: \$1.0 million). In 2022 there was also a credit of \$0.4 million in respect of rate changes. The prior year charge of \$1.4 million (2022: credit of \$3.0 million) was the effect of the change in the rupiah exchange rate on opening balances.

14. Dividends

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

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

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

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

15. (Loss) / profit per share

	2023 \$'000	2022 \$'000
(Loss) / profit attributable to equity shareholders	(10,241)	27,777
Preference dividends paid relating to current year	(4,129)	(8,826)
(Loss) / profit for the purpose of calculating loss per share	(14,370)	18,951
	'000	'000
Weighted average number of ordinary shares for the purpose of:		
Basic (loss) / profit per share	43,964	43,959
Diluted (loss) / profit per share	43,964	47,957

The warrants (see note 35) are non-dilutive in 2023 as the average share price was below the exercise price.

Group financial statements

Notes to the consolidated financial statements**16. Goodwill**

	2023 \$'000	2022 \$'000
Beginning of year	12,578	12,578
Transferred to assets held for sale (see note 34)	(1,434)	–
End of year	11,144	12,578

Goodwill of \$12.6 million arose from the acquisition by the company in 2006 of a non-controlling interest in the issued ordinary share capital of Makassar Investments Limited, the parent company of REA Kaltim, for a consideration of \$19.0 million and has an indefinite life. Due to the potential sale of CDM a portion of the goodwill has been deemed attributable to CDM and as such has been reclassified as part of the asset held for sale. The amount of goodwill transferred is based on the proportion of net assets of CDM compared to total plantation assets.

The goodwill is reviewed annually for impairment. The group's testing for impairment of goodwill includes the comparison of the recoverable amount of each CGU to which goodwill has been allocated (the remaining plantation companies which are treated for this purpose as a single CGU) with their carrying value and this is updated at each reporting date and whenever there are indications of impairment. The recoverable amounts of all plantations are based on their value in use. Value in use is the present value of expected future cash flows from the plantations over a 25 year plantation cycle (25 years being the normal cycle of an oil palm planting). The key assumptions and sensitivities are set out in note 3.

Based upon their review, the directors have concluded that no impairment of goodwill is required.

17. Intangible assets – development expenditure

	2023 \$'000	2022 \$'000
Beginning of year	6,993	5,453
Additions	131	273
Reclassifications and adjustments	–	1,267
End of year	7,124	6,993
Amortisation:		
Beginning of year	5,157	5,092
Charge for year	374	65
End of year	5,531	5,157
Carrying amount:		
End of year	1,593	1,836
Beginning of year	1,836	361

Development expenditure on computer software that is not integral to an item of PPE is recognised separately as an intangible asset.

18. Property, plant and equipment

	Plantings \$'000	Buildings and structures \$'000	Plant, equipment and vehicles \$'000	Construction in progress \$'000	Total \$'000
Cost:					
At 1 January 2022	175,287	250,408	125,454	15,433	566,582
Additions	2,367	3,712	9,840	2,903	18,822
Reclassifications and adjustments	–	2,429	1,471	(5,168)	(1,268)
Disposals	(1,107)	(1,256)	(6,588)	–	(8,951)
At 31 December 2022	176,547	255,293	130,177	13,168	575,185
Additions	4,141	6,731	4,578	6,826	22,276
Reclassifications and adjustments	–	7,844	9,187	(17,031)	–
Disposals	(4,511)	(3,102)	(1,322)	–	(8,935)
Divested on sale of subsidiary (see note 37)	(176)	(330)	(31)	–	(537)
Transferred to assets held for sale (see note 34)	(18,090)	(37,154)	(1,055)	(76)	(56,375)
At 31 December 2023	157,911	229,282	141,534	2,887	531,614
Accumulated depreciation:					
At 1 January 2022	66,000	59,606	75,178	–	200,784
Charge for year	10,137	7,608	9,844	–	27,589
Disposals	(126)	(613)	(6,477)	–	(7,216)
At 31 December 2022	76,011	66,601	78,545	–	221,157
Charge for year	9,586	8,111	10,679	–	28,376
Disposals	(2,705)	(872)	(1,249)	–	(4,826)
Divested on sale of subsidiary (see note 37)	(7)	(10)	(31)	–	(48)
Transferred to assets held for sale (see note 34)	(3,705)	(5,858)	(737)	–	(10,300)
At 31 December 2023	79,180	67,972	87,207	–	234,359
Carrying amount:					
At 31 December 2023	78,731	161,310	54,327	2,887	297,255
At 31 December 2022	100,536	188,692	51,632	13,168	354,028

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

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

At the balance sheet date, PPE of \$118.1 million (2022: \$123.0 million) had been charged as security for bank loans (see note 27).

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

Group financial statements

Notes to the consolidated financial statements**19. Land**

	2023 \$'000	2022 \$'000
Cost:		
Beginning of year	48,648	47,962
Additions	5,093	1,327
Disposals	–	(641)
Transferred to assets held for sale (see note 34)	(4,909)	–
End of year	48,832	48,648
Accumulated amortisation:		
Beginning of year	3,681	4,322
Disposals	–	(641)
Transferred to assets held for sale (see note 34)	(864)	–
End of year	2,817	3,681
Carrying amount:		
End of year	46,015	44,967
Beginning of year	44,967	43,640

Balances classified as land represent amounts invested in land utilised for the purpose of the plantation operations in Indonesia. There are two types of cost, one relating to the acquisition of HGUs and the other relating to the acquisition of *Izin Lokasi*.

At 31 December 2023, certificates of HGU had been obtained in respect of areas covering 63,617 hectares (2022: 64,522 hectares). An HGU is effectively a government certification entitling the holder to utilise the land for agricultural and related purposes. Retention of an HGU is subject to payment of annual land taxes in accordance with prevailing tax regulations. HGUs are normally granted for periods of up to 35 years and are renewable on expiry of such term.

The other cost relates to the acquisition of *Izin Lokasi*, each of which is an allocation of Indonesian state land granted by the Indonesian local authority responsible for administering the land area to which the allocation relates. Such allocations are preliminary to the process of fully titling an area of land and obtaining an HGU in respect of it. *Izin Lokasi* are normally valid for periods of between one and three years but may be extended if steps have been taken towards obtaining full titles.

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

At the balance sheet date, land titles of \$30.9 million (2022: \$26.3 million) had been charged as security for bank loans (see note 27).

20. Financial assets

	2023 \$'000	2022 \$'000
Stone interest	44,681	30,354
Coal interests	11,835	13,524
Provision against loan to coal interests	(2,550)	(2,550)
	53,966	41,328
Sand interest	3,633	-
	57,599	41,328
Plasma advances (see note 24)	12,788	13,675
Other non-current receivables	3,253	5,007
	16,041	18,682
Total financial assets	73,640	60,010

Pursuant to the arrangements between the group and its local partners, the company's subsidiary, KCC, has the right, subject to satisfaction of local regulatory requirements, to acquire, at original cost, 95 per cent ownership of two Indonesian companies that directly and through an Indonesian subsidiary of one of those companies own rights in respect of certain stone and coal concessions in East Kalimantan Indonesia. Until recently local regulatory requirements precluded the exercise of such rights. For now, the concession holding companies are being financed by loan funding from the group and no dividends or other distributions or payments may be paid or made by the concession holding companies to the local partners without the prior agreement of KCC. A guarantee has been executed by the stone concession holding company in respect of the amounts owed to the group by the two coal concession holding companies. The coal concession holding company that commenced generation of revenue in 2022 has repaid substantially all of its loan from the group.

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

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

Plasma advances are discussed under **Credit risk** in note 26.

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

Group financial statements

Notes to the consolidated financial statements**21. Subsidiaries**

A list of the subsidiaries, including the name, country of incorporation, activity, registered office address and proportion of ownership is given in note (v) to the company's individual financial statements.

22. Inventories

	2023 \$'000	2022 \$'000
Agricultural produce	6,092	8,556
Engineering and other operating inventory	10,617	18,872
	16,709	27,428

Agricultural produce is carried at the lower of cost and net realisable value but for this purpose the cost of FFB (which forms part of the input to the cost of agricultural produce) has been measured at fair value at point of harvest.

23. Biological assets

Biological assets comprise the growing produce (FFB) on oil palm trees and are carried at fair value using a formulaic methodology to determine the value of the oil content of such produce at the balance sheet date. This determination is made by attributing oil content as of the balance sheet date to the FFB harvested in the weeks immediately following the balance sheet date and valuing that oil content by reference to the value of oil at the point of harvest on the balance sheet date. All the relevant inputs to this valuation methodology are observable:

- the quantity of oil attributed (the rate of oil formation is drawn from academic studies)
- the amount of FFB harvested during the applicable period
- the sales price of CPO and CPKO at the balance sheet date (from published market prices)
- the costs to harvest and process FFB
- the sales charges (transport, export tax, etc.).

Biological assets are classified as level 2 in the fair value hierarchy prescribed by IFRS 13: Fair value measurement as there are observable data inputs to enable the valuation of growing produce prior to harvest.

The reconciliation below does not show decreases due to harvest as required by IAS 41 as all growing produce having a value at the end of each accounting period will have been harvested by the end of the immediately succeeding accounting period.

	2023 \$'000	2022 \$'000
Beginning of year	3,909	4,154
Fair value loss taken to income (see note 7)	(580)	(245)
Transferred to assets held for sale (see note 34)	(242)	–
End of year	3,087	3,909

At the balance sheet date, biological assets of \$3.1 million (2022: \$3.9 million) had been charged as security for bank loans (see note 27).

24. Trade and other receivables

	2023	2022
	\$'000	\$'000
Due from sale of goods	3,731	4,436
Prepayments	2,562	6,997
Advances to third parties	9,171	6,357
Other tax and social security	5,452	9,439
Plasma advances	15,824	16,283
Other receivables	4,302	1,603
	41,042	45,115
Receivable as follows:		
Within one year (shown under current assets)	28,254	31,440
After one year (see note 20)	12,788	13,675
	41,042	45,115

In respect of CPO and CPKO which represent 95 per cent of the group's revenue from sales of goods, payment of 90 per cent of the cargo is received in advance of loading to the buyers vessel (FOB) or discharge to the buyer (CIF). Due from sale of goods represents amounts in respect of the balance due on sales of CPO and CPKO (which is due within 5 days of delivery) plus receivables in respect of other products.

Amounts due from sale of goods had an average credit period of 6 days (2022: 5 days). The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Plasma advances are discussed under Credit risk in note 26. The portion of Plasma advances that are due after one year are disclosed within note 20.

25. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the group and short-term bank deposits. The Moody's prime rating of short term bank deposits amounting to \$14.1 million (2022: \$21.9 million) is set out in note 26 under the heading Credit risk.

At 31 December 2023 \$6.1 million (2022: \$6.1 million) of total bank deposits were subject to charges. Under the Mandiri facilities, the group is required to leave agreed amounts of cash on deposit but is allowed additional borrowings equal to the amount of the blocked cash.

Group financial statements

Notes to the consolidated financial statements**26. Financial instruments**

Capital risk management

The group manages as capital its debt, which includes the borrowings disclosed in notes 27 to 29 and note 31, cash and cash equivalents and equity attributable to shareholders of the company, comprising issued ordinary and preference share capital, reserves and retained earnings as disclosed in note 35 and the consolidated statement of changes in equity. The group is not subject to externally imposed capital requirements.

The directors' policy in regard to the capital structure of the group is to seek to enhance returns to holders of the company's ordinary shares by meeting a proportion of the group's funding needs with prior ranking capital and to constitute that capital as a mix of preference share capital and borrowings from financial institutions and the public debt market, in proportions which suit, and as respects borrowings that have a maturity profile which suits, the assets that such capital is financing. In so doing, the directors regard the company's preference share capital as permanent capital and then seek to structure the group's borrowings so that shorter term bank debt is used only to finance working capital requirements while debt funding for the group's development programme is sourced from issues of listed debt securities and medium term borrowings from financial institutions.

Whilst the group retains this policy, the directors recognise that the group's current borrowings are not compliant with the policy. The group will aim to overcome this by reducing borrowings to the extent that cash generation permits.

Net debt to equity ratio

Net debt, equity and the net debt to equity ratio at the balance sheet date were as follows:

	2023 \$'000	2022 \$'000
Debt*	192,379	188,643
Cash and cash equivalents	(14,195)	(21,914)
Net debt	178,184	166,729
Equity (including non-controlling interests)	234,119	257,530
Net debt to equity ratio	76.1%	64.7%

* Being the book value of long and short term borrowings as detailed in the table below under Fair value of financial instruments

Material accounting policies

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in note 2 of this annual report.

Categories of financial instruments

Financial assets as at 31 December 2023 comprised receivables and loans (including stone, sand and coal interests) held at amortised cost and cash and cash equivalents amounting to \$110.6 million (2022: \$103.9 million).

Financial liabilities as at 31 December 2023 comprised liabilities at amortised cost amounting to \$222.9 million (2022: \$235.7 million).

As explained in note 20, conditional arrangements exist for the group to acquire at historic cost the shares in the Indonesian companies owning rights over certain stone and coal concessions. The directors have attributed a fair value of nil to these interests in view of the prior claims of loans to the concession holding companies and the fact that until recently local regulatory requirements precluded the exercise of such rights.

Financial risk management objectives

The group manages the financial risks relating to its operations through internal reports which permit the degree and magnitude of such risks to be assessed. These risks include market risk, credit risk and liquidity risk.

26. Financial instruments – continued

The board sets policies on foreign exchange risk, interest rate risk, credit risk, the use of financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The financial market risks to which the group is primarily exposed are those arising from changes in interest rates and foreign currency exchange rates.

The group's policy as regards interest rates is to borrow whenever economically practicable at fixed interest rates, but where borrowings are raised at floating or variable rates the directors would not normally seek to hedge such exposure. The sterling notes and the dollar notes carry interest at fixed rates of, respectively, 8.75 and 7.5 per cent per annum. In addition, the company's preference shares carry a cumulative entitlement to an annual dividend of 9p per share subject to the same being declared by the directors.

At 31 December 2023 interest is payable on drawings under Indonesian rupiah term loan facilities at 8.0 per cent (2022: 8.00 per cent), under short term working capital facilities at 8.0 per cent (2021: 8.0 per cent) and under short term revolving borrowings at 3.0 per cent (0.5 per cent above the deposit interest rate applicable to the funds held in the DSRA).

A 1 per cent increase in interest applied to those financial instruments shown in the table below entitled Fair value of financial instruments as held at 31 December 2023 which carry interest at floating or variable rates would have resulted over a period of one year in a pre-tax profit (and equity) decrease of \$1.0 million (2022: pre-tax profit (and equity) decrease of \$1.1 million).

The group regards the dollar as the functional currency of most of its operations. The directors believe that the group will be best served going forward by simply maintaining a balance between its borrowings in different currencies and avoiding currency hedging transactions. Accordingly, the group regards some exposure to currency risk on its non dollar borrowing as an inherent and unavoidable risk of its business. The group has never covered, and does not intend in future to cover, the currency exposure in respect of the component of the investment in its operations that is financed with sterling denominated shareholder capital.

The group's policy is to maintain a cash balance in sterling sufficient to meet its projected sterling expenditure for a period of between six and twelve months and a limited cash balance in Indonesian rupiah.

At the balance sheet date, the group had non-dollar monetary items denominated in sterling and rupiah. A 5 per cent strengthening of the sterling against the dollar would have resulted in a loss dealt with in the consolidated income statement and equity of \$2.0 million on the net sterling denominated monetary items (2022: loss \$1.9 million). A 5 per cent strengthening of the rupiah against the dollar would have resulted in a loss dealt with in the consolidated income statement and equity of \$4.0 million on the net Indonesian rupiah denominated, monetary items (2022: loss of \$5.9 million).

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a loss. Management has established a credit policy and the exposure to credit risk is monitored on a continuous basis.

The group has credit risk in respect of loans to stone, sand and coal interests, advances to Plasma cooperatives (Plasma advances), and also other advances to third parties.

The group's maximum exposure to credit risk is \$85.8 million (2022: \$69.0 million).

The credit risk in relation to the stone, sand and coal interests is addressed by applying the lifetime expected credit loss model and the directors performing a look through to the value of the underlying stone, sand and coal rights as set out in note 1.

The credit risk in relation to customers is limited as sales are either prepaid, paid against presentation of documents or paid by letters of credit. There are three types of sales of CPO and CPKO: Indonesian FOB sales (prepaid in advance of loading to the buyer's vessel) representing 28 per cent of sales in 2023 (2022: 28 per cent); Indonesian CIF sales (paid against presentation of documents demonstrating discharge to the buyer) representing 72 per cent of sales in 2023 (2022: 72 per cent); and export CIF sales (paid by letters of credit) of which there were none in 2023 (2022: none).

Moreover, sales are to a small number of established and reputable buyers: in 2023 about 85 per cent of sales of goods were to 3 customers (2022: 90 per cent).

Group financial statements

Notes to the consolidated financial statements**26. Financial instruments – continued**

Plasma advances comprise the cost of developing plasma plantations less recoveries (loan repayments) arising from surplus cash flows generated by the plasma plantations. These plasma plantations are managed by the company thereby ensuring that high agronomy standards are maintained and yields and profitability maximised. With CPO and CPKO prices now forecast to remain at remunerative levels for the foreseeable future, all plasma plantations are expected to be profitable and generate sufficient cash flows to repay fully the advances made.

The group reviews the recoverable amount of each debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. There were no impairments of financial assets in the year; however, the coal loan has been provided against previously (see note 20).

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit agencies. At 31 December 2023, 29 per cent of bank deposits were held with banks with a Moody's prime rating of P1 (2022: 2 per cent) and 71 per cent with a bank with a Moody's prime rating of P2 (2022: 98 per cent).

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors of the company, which has established an appropriate framework for the management of the group's short, medium and long term funding and liquidity requirements.

Within this framework, the board continuously monitors forecast and actual cash flows and endeavours to maintain adequate liquidity in the form of cash reserves and borrowing facilities to meet the projected obligations of the group. As disclosed in note 27 there were no undrawn facilities (2022: nil) available to the group at the balance sheet date.

The board maintains and regularly reviews cash forecasting models for the group's operations and compares projected cash inflows with the forecast outflows for debt obligations and projected capital expenditure programmes, applying sensitivities to take into account perceived major uncertainties. In their review, the directors place the greatest emphasis on the cash flow of the first two years.

Financial instruments

The following tables detail the contractual maturity of the group's financial liabilities at 31 December 2023. The tables have been drawn up based on the undiscounted amounts of the group's financial liabilities based on the earliest dates on which the group can be required to discharge those liabilities. The table includes liabilities for both principal and interest.

	Weighted average interest rate %	Under 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
2023						
Bank loans	7.7	30,718	23,054	67,389	12,829	133,990
Dollar notes – repayable 2026	7.5	2,028	2,028	28,049	–	32,105
Sterling notes – repayable 2025	8.8	3,337	41,978	–	–	45,315
Non-controlling shareholder loan	6.2	11,715	1,481	714	–	13,910
Trade and other payables, and contract liabilities	–	29,764	–	–	–	29,764
		77,562	68,541	96,152	12,829	255,084
2022						
Bank loans	8.0	52,868	23,926	57,455	39,885	174,134
Dollar notes – repayable 2026	7.5	1,385	1,385	20,543	–	23,313
Sterling notes – repayable 2025	8.8	3,285	3,292	41,123	–	47,700
Non-controlling shareholder loans – dollar	6.0	2,301	2,232	13,342	–	17,875
Trade and other payables, and contract liabilities	–	39,161	–	–	–	39,161
		99,000	30,835	132,463	39,885	302,183

26. Financial instruments – continued

At 31 December 2023, the group's financial assets (other than receivables) comprised cash and deposits of \$14.2 million (2022: \$21.9 million) carrying a weighted average interest rate of 2.2 per cent (2022: 1.5 per cent) and stone, sand and coal interests of \$57.6 million (2022: \$41.3 million) details of which are given in note 20.

Fair value 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 stone, sand and coal interests, as at the balance sheet date. Cash and deposits, investments, dollar notes and sterling notes are classified as level 1 in the fair value hierarchy prescribed by IFRS 13 (level 1 includes instruments where inputs to the fair value measurements are quoted prices in active markets). No reclassifications between levels in the fair value hierarchy were made during 2023 (2022: none).

	2023 Book value \$'000	2023 Fair value \$'000	2022 Book value \$'000	2022 Fair value \$'000
Cash and deposits*	14,195	14,195	21,914	21,914
Bank debt within one year*	(17,413)	(17,413)	(16,390)	(16,390)
Bank debt after more than one year*	(94,361)	(94,361)	(100,730)	(100,730)
Loans from non-controlling shareholder within one year**	(11,394)	(11,394)	(1,394)	(1,394)
Loans from non-controlling shareholder after more than one year**	(2,090)	(2,090)	(3,484)	(3,484)
Loans from non-controlling shareholder after more than one year*	-	-	(10,641)	(10,641)
Dollar notes after one year – repayable 2026**	(26,572)	(25,683)	(17,842)	(18,465)
Sterling notes after one year – repayable 2025**	(40,549)	(34,706)	(38,162)	(35,335)
Net debt	(178,184)	(171,452)	(166,729)	(164,525)

* Bearing interest at floating/variable rates

** Bearing interest at fixed rates

The dollar notes in 2022 were net of \$8.6 million notes held in treasury for resale and sold in June 2023.

The fair values of cash and deposits, loans from non-controlling shareholder and bank debt approximate their carrying values since these carry interest at current market rates. The fair values of the dollar notes and sterling notes are based on the latest prices at which those notes were traded prior to the balance sheet dates.

Group financial statements

Notes to the consolidated financial statements**26. Financial instruments – continued**

Changes in liabilities arising from financing activities and analysis of movement in borrowings

The table below details changes in the group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities from financing activities are those for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

	At 1 January 2023 \$'000	Financing cash flows \$'000	Non-cash and other changes \$'000	At 31 December 2023 \$'000
Bank debt	(117,120)	9,675	(4,329)	(111,774)
Loans from non-controlling shareholder	(15,519)	(8,606)	10,641	(13,484)
Dollar notes – repayable 2026	(17,842)	(8,142)	(588)	(26,572)
Sterling notes – repayable 2025	(38,162)	–	(2,387)	(40,549)
Lease liabilities	(7,438)	2,846	(1,337)	(5,929)
Total liabilities from financing activities	(196,081)	(4,227)	2,000	(198,308)

There were no loans from related parties during the year.

	At 1 January 2022 \$'000	Financing cash flows \$'000	Non-cash and other changes \$'000	At 31 December 2022 \$'000
Bank debt	(136,826)	8,843	10,863	(117,120)
Loans from non-controlling shareholder	(16,216)	697	–	(15,519)
Dollar notes – repayable 2022	(26,985)	27,035	(50)	–
Dollar notes – repayable 2026	–	(18,465)	623	(17,842)
Sterling notes – repayable 2025	(42,533)	–	4,371	(38,162)
Loan from related party – sterling	–	51	(51)	–
Lease liabilities	(6,230)	2,670	(3,878)	(7,438)
Total liabilities from financing activities	(228,790)	20,831	11,878	(196,081)

The maximum liability in relation to loans from related parties during 2022 was \$0.5 million.

27. Bank loans

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

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

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

The gross bank loans of \$115.6 million (2022: \$122.0 million) are secured on certain land titles, PPE, biological assets and cash assets held by REA Kaltim, KMS and SYB having an aggregate book value of \$158.1 million (2022: \$159.4 million), and are the subject of an unsecured guarantee by the company. The banks are entitled to have recourse to their security on usual banking terms.

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

Under the terms of their bank facilities, certain plantation subsidiaries are restricted to an extent in the payment of interest on borrowings from, and on the payment of dividends to, other group companies. The directors do not believe that the applicable covenants will affect the ability of the company to meet its cash obligations.

At the balance sheet date, the group had undrawn rupiah denominated facilities of nil (2022: nil).

Group financial statements

Notes to the consolidated financial statements**28. Sterling notes**

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

The sterling notes are due for repayment on 31 August 2025. A premium of 4p per £1 nominal of sterling notes will be paid on redemption of the sterling notes on 31 August 2025 (or earlier in the event of default) or on surrender of the sterling notes in satisfaction, in whole or in part, of the subscription price payable on exercise of the warrants held by sterling note holders (see note 35) on or before the final subscription date (namely 15 July 2025).

The sterling notes are guaranteed by the company and another wholly owned subsidiary of the company, REAS, and are secured principally on unsecured loans made by REAS to Indonesian plantation operating subsidiaries of the company.

The repayment obligation in respect of the sterling notes of £30.9 million (\$39.3 million) is carried on the balance sheet at \$40.5 million (2022: \$38.2 million) which is net of the unamortised balance of the note issuance costs plus the amortised premium to date.

29. Dollar notes

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

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

On 3 March 2022 the repayment date for the dollar notes was extended from 30 June 2022 to 30 June 2026. In consideration of the noteholders sanctioning the extension of the redemption date, the company paid each noteholder a consent fee equal to 0.25 per cent of the nominal amount of the dollar notes held by such holder. In conjunction with the proposal to extend the redemption date for the dollar notes, the company put in place arrangements whereunder any noteholder who wished to realise their holding of dollar notes by the previous redemption date of 30 June 2022 was offered the opportunity so to do (the sale facility).

Holders of \$14.8 million nominal dollar notes elected to take advantage of the sale facility. \$6.0 million nominal of such dollar notes were resold and REAS acquired the unsold balance of \$8.8 million nominal of dollar notes. A further \$248,000 nominal of dollar notes was then resold at par for settlement on 30 June 2022. Accordingly, the total net amount of dollar notes purchased from divesting noteholders and held by REAS at 31 December 2022 was \$8.6 million.

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

30. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the group and the movements thereon during the year and preceding year:

Deferred tax assets / (liabilities)	Plantings and related structures \$'000	Other property, plant and equipment \$'000	Income/ (expenses)* \$'000	Agricultural produce and other inventory \$'000	Tax losses \$'000	Total \$'000
At 1 January 2022	(38,639)	(6,194)	1,974	(671)	2,301	(41,229)
Prior year adjustment	1,898	1,107	(6)	199	(212)	2,986
Credit / (charge) to income for the year	868	133	39	(102)	(1,174)	(236)
Charge to comprehensive income for the year**	-	-	(83)	-	-	(83)
Effect of tax rate changes to income for the year	-	-	-	55	344	399
Exchange differences***	(1,448)	(1,722)	(183)	62	-	(3,291)
At 31 December 2022	(37,321)	(6,676)	1,741	(457)	1,259	(41,454)
Prior year adjustment	-	(1,356)	-	-	-	(1,356)
Credit / (charge) to income for the year	427	76	11,962	(73)	1,630	14,022
Charge to comprehensive income for the year**	-	-	99	-	-	99
Exchange differences***	1,917	2,653	36	(35)	-	4,571
Transferred to liabilities related to assets held for sale	5,764	142	(79)	51	(1,636)	4,242
At 31 December 2023	(29,213)	(5,161)	13,759	(514)	1,253	(19,876)
Deferred tax assets	-	-	13,759	-	1,253	15,012
Deferred tax liabilities	(29,213)	(5,161)	-	(514)	-	(34,888)
At 31 December 2023	(29,213)	(5,161)	13,759	(514)	1,253	(19,876)
Deferred tax assets	-	-	1,741	-	1,259	3,000
Deferred tax liabilities	(37,321)	(6,676)	-	(457)	-	(44,454)
At 31 December 2022	(37,321)	(6,676)	1,741	(457)	1,259	(41,454)

* Includes income, gains or expenses recognised for reporting purposes, but not yet charged to or allowed for tax

** Relating to actuarial losses / gains

*** Included in the consolidated income statement

At the balance sheet date, the group had unused tax losses of \$4.7 million (2022: \$5.2 million) available to be applied against future profits. A deferred tax asset of \$1.3 million (2022: \$1.3 million) has been recognised in respect of these losses, which are expected to be used in the future based on the group's detailed cashflow and profitability projections. Tax losses aggregating \$2.5 million (2022: \$3.8 million) incurred by KCCRI have not been recognised; these tax losses expire after five years. Capital tax losses totalling \$8.5 million (2022: \$8.5 million) in the company and REAS are not recognised in deferred tax as they are not expected to be used.

At the balance sheet date, the aggregate amount of net temporary differences (gross differences after 10 per cent withholding tax) associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was \$2.6 million (2022: \$6.2 million). No liability has been recognised in respect of these differences because the group is in a position to control the reversal of the temporary differences and it is probable that such differences will not reverse significantly in the foreseeable future.

The temporary difference of \$29.2 million (2022: \$37.3 million) in respect of plantings and related structures arises from their recognition prior to 2015 at fair value in the group accounts, compared with their historic base cost in the local accounts of overseas subsidiaries.

From 2015 onwards this temporary difference reverses as the plantings and related structures are depreciated over their remaining useful life.

Group financial statements

Notes to the consolidated financial statements**31. Other loans and payables**

	2023	2022
	\$'000	\$'000
Indonesian retirement benefit obligations (see note 40)	9,098	7,824
Lease liabilities (see note 32)	5,929	7,438
Loans from non-controlling shareholder	13,484	15,519
Payable under settlement agreement	1,736	3,736
	30,247	34,517
Repayable as follows:		
On demand or within one year (shown under current liabilities)	14,891	5,712
Between one and two years	4,326	3,721
Between two and five years	2,979	18,106
After five years	8,051	6,978
Amount due for settlement after 12 months	15,356	28,805
	30,247	34,517
Liabilities by currency:		
Sterling	369	475
Dollar	15,220	19,255
Rupiah	14,658	14,787
	30,247	34,517

Further details of the retirement benefit obligations are set out in note 40.

Loans from non-controlling shareholder comprises a \$3.5 million interest bearing loan repayable in equal instalments up to June 2026, plus a \$10.0 million pre-closing loan in connection with DSN share subscription agreement which was repaid on completion of the share subscription.

The directors estimate that the fair value of other loans and payables approximates their carrying value.

32. Leases

The group leases boats for the transportation of CPO and CPKO and also leases office properties in London and Balikpapan.

The office leases have been capitalised as assets in buildings and structures and the boats in plant, equipment and vehicles within PPE in non-current assets (see note 18).

Right of use assets in PPE	Buildings and structures \$'000	Plant, equipment and vehicles \$'000	Total \$'000
Cost:			
At 1 January 2022	614	9,025	9,639
Additions	1,259	2,754	4,013
Disposals	(526)	(4,567)	(5,093)
At 31 December 2022	1,347	7,212	8,559
Additions	–	645	645
Disposals	–	(632)	(632)
At 31 December 2023	1,347	7,225	8,572
Accumulated depreciation:			
At 1 January 2022	532	2,975	3,507
Charge for year	281	2,196	2,477
Disposals	(526)	(4,576)	(5,102)
At 31 December 2022	287	595	882
Charge for year	281	1,814	2,095
Disposals	–	(625)	(625)
At 31 December 2023	568	1,784	2,352
Carrying amount:			
At 31 December 2023	779	5,441	6,220
At 31 December 2022	1,060	6,617	7,677
Lease liabilities (see note 31)			
		2023	2022
		\$'000	\$'000
Within one year		2,428	2,249
Between one and two years		1,912	1,752
Between two and five years		1,589	3,437
		5,929	7,438
Other information relating to leases			
Interest on lease liabilities (see note 12)		529	377
Principal payments on lease liabilities disclosed in the cash flow statement		2,846	2,670

Short term leases

A number of the boat leases qualify for the short term lease exemption but for consistency all boat leases are treated in the same way.

Group financial statements

Notes to the consolidated financial statements**33. Trade and other payables**

	2023	2022
	\$'000	\$'000
Trade payables	11,630	9,924
Contract liabilities	17,134	25,930
Other tax and social security	100	80
Accruals	14,811	10,970
Other payables	1,000	3,307
	44,675	50,211
Repayable as follows:		
On demand or within one year (shown under current liabilities)	27,834	40,454
In the second year	16,841	5,319
In the third to fifth years inclusive	–	4,438
Amount due for settlement after 12 months	16,841	9,757
	44,675	50,211

The average credit period taken on trade payables is 30 days (2022: 27 days).

The contract liabilities relate to prepaid sales contracts whereby advance payments are received for future product deliveries.

\$16.1 million of the 2022 contract liabilities were recognised in revenue in 2023. \$12.5 million of the 2023 contract liabilities will be recognised in revenue in 2024 and \$4.7 million in 2025.

The directors estimate that the fair value of trade and other payables approximates their carrying value.

34. Assets held for sale

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

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

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

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

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

Group financial statements

Notes to the consolidated financial statements**35. Share capital**

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

The preference shares entitle the holders thereof to payment, out of the profits of the company available for distribution, but subject to the approval of a board resolution to make a distribution out of available profits, of a cumulative preferential dividend of 9 per cent per annum on the nominal amount paid up on such preference shares. The preference shares shall rank for dividend in priority to the payment of any dividend to the holders of any other class of shares. In the event of the company being wound up, holders of the preference shares shall be entitled to the amount paid up on the nominal value of such shares together with any arrears and accruals of the dividend thereon. On a winding up or other return of capital, the preference shares shall rank in priority to any other shares of the company for the time being in issue.

Subject to the rights of the holders of preference shares, holders of ordinary shares are entitled to share equally with each other in any dividend paid on the ordinary share capital and, on a winding up of the company, in any surplus assets available for distribution among the members. Shares held by the company in treasury do not carry voting rights.

The company has outstanding 3,997,760 warrants to subscribe for ordinary shares (2022: 3,997,760 warrants). Each warrant entitles the holder to subscribe for one ordinary share at a subscription price of 126p per share on or before 15 July 2025. Holders of sterling notes exercising warrants may satisfy the subscription obligations by surrendering sterling notes (see note 28).

Changes in share capital	9 per cent cumulative preference shares of £1 each	Ordinary shares of 25p each
Issued and fully paid:		
At 1 January 2022	72,000,000	43,950,529
Issued during 2022	–	13,000
At 31 December 2022 and 2023	72,000,000	43,963,529

There have been no changes in preference share capital or ordinary shares held in treasury during the current year.

On 22 April 2022, following receipt of a notice of exercise of 13,000 warrants, the company issued and allotted 13,000 new ordinary shares with a nominal value of 25p each fully paid at the subscription price of 126p per share.

36. Non-controlling interests

	2023 \$'000	2022 \$'000
Beginning of year	23,625	20,270
Share of result for the year	(7,452)	5,109
Share of other comprehensive (loss) / income for the year	(41)	41
Capital injection	150	-
Reorganisation of subsidiaries	(1,978)	-
Amendment to non-controlling interest	-	(295)
Dividends	-	(1,500)
End of year	14,304	23,625

The non-controlling interests comprise a 15 per cent equity interest held by two subsidiary companies of DSN in the company's principal operating subsidiary, REA Kaltim (see note (v) to the company accounts); a 5 per cent equity interest held by a local partner in SYB; and a 5 per cent equity interest held by a local partner in KCCRI.

Key financial information (including intra-group balances but excluding group adjustments) in respect of REA Kaltim and its subsidiaries as extracted from the consolidated financial statements is as follows:

	2023 \$'000	2022 \$'000
Revenue	175,871	208,188
Profit after tax	5,501	31,626
Non-current assets	364,055	261,526
Current assets	70,799	80,997
Non-current liabilities	(91,050)	(112,919)
Current liabilities	(118,757)	(59,687)
Net cash (outflow) / inflow from operating activities	(9,668)	18,362
Net cash outflow from investing activities	(22,713)	(11,318)
Net cash inflow / (outflow) from financing activities	21,491	(32,214)
Net cash decrease in cash and cash equivalents	(10,890)	(25,170)

Group financial statements

Notes to the consolidated financial statements**37. Disposal of subsidiaries**

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

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

	\$'000
PPE	489
Trade and other receivables	519
Cash	1,340
	<u>2,348</u>
Trade and other payables	(26)
Net assets	2,322
Translation reserve	685
Non-controlling interest	(337)
Total net assets disposed	<u>2,670</u>
Consideration received	1,810
Loss on disposal (see note 10)	<u>(860)</u>

38. Reconciliation of operating profit to operating cash flows

	2023 \$'000	2022 \$'000
Operating profit	14,844	41,401
Amortisation of intangible assets	374	65
Depreciation of PPE	28,376	27,589
Decrease in fair value of growing produce	580	245
Loss on disposal of PPE	1,055	218
Movement in assets held for sale	(784)	-
Exchange translation differences	1,188	(1,627)
Operating cash flows before movements in working capital	45,633	67,891
Decrease / (increase) in inventories (excluding movements in fair value of growing produce)	9,482	(10,412)
Increase in receivables	(3,123)	(11,871)
(Decrease) / increase in payables	(4,818)	2,674
Cash generated by operations	47,174	48,282
Taxes paid	(2,177)	(14,372)
Interest paid	(15,372)	(17,211)
Net cash from operating activities	<u>29,625</u>	<u>16,699</u>

39. Movement in net borrowings

	2023 \$'000	2022 \$'000
Change in net borrowings resulting from cash flows:		
Decrease in cash and cash equivalents, after exchange rate effects	(7,719)	(24,978)
Net decrease in bank borrowings	9,675	8,843
(Decrease) / increase in dollar notes held in treasury	(8,142)	8,570
(Increase) / decrease in borrowings from non-controlling shareholder	(8,606)	697
Transfer of borrowings to assets held for sale (see note 34)	10,641	–
Net decrease in related party borrowings	–	51
	(4,151)	(6,817)
Amortisation of sterling note issue expenses and premium	(188)	(182)
Cost of extension of redemption date of dollar notes	–	252
Gain on extension of redemption date of dollar notes	–	495
Loss on disposal of dollar notes held in treasury	(428)	–
Amortisation of dollar note issue expenses	(160)	(174)
Amortisation of bank loan expenses	(1,266)	(1,369)
	(6,193)	(7,795)
Currency translation differences	(5,262)	16,734
Net borrowings at beginning of year	(166,729)	(175,668)
Net borrowings at end of year	(178,184)	(166,729)

40. Retirement benefit obligations

United Kingdom

The company is the principal employer of the Pension Scheme and a subsidiary company is a participating employer. The Pension Scheme is a multi-employer contributory defined benefit scheme with assets held in a trustee-administered fund, which has participating employers outside the group. The Pension Scheme is closed to new members.

As the Pension Scheme is a multi-employer scheme, in which the employers are unable to identify their respective shares of the underlying assets and liabilities (because there is no segregation of the assets), and does not prepare valuations on an IAS 19 basis, the group accounts for the Pension Scheme as if it were a defined contribution scheme. The company's share of the total employer contribution is 6.9 per cent.

A non-IAS 19 valuation of the Pension Scheme was last prepared, using the attained age method, as at 31 December 2020. This method had been adopted in the previous valuation as at 31 December 2017 and in earlier valuations, as it was considered the appropriate method of calculating future service benefits as the Pension Scheme is closed to new members. At 31 December 2020 the Pension Scheme had an overall marginal deficit of assets, when measured against the Pension Scheme's technical provisions, of £2.2 million, although when the actuarial valuation was signed in August 2021 there had been a substantial improvement and there was an estimated surplus of £1.0 million. The technical provisions were calculated using assumptions of an investment return equal to the Bank of England gilt curve plus 1.2 per cent per annum reducing to 0.25 per cent per annum over the 10 years following the valuation date and annual increases in pensionable salaries in line with RPI. It was further assumed that the retired members' mortality would reflect S3PXA tables (light version) at 100 per cent and that non-retired members would take on retirement the maximum cash sums permitted from 1 January 2021. Had the Pension Scheme been valued at 31 December 2020 using the projected unit method and the same assumptions, the overall deficit would have been similar.

The Pension Scheme has agreed a statement of funding principles with the principal employer and has also agreed a schedule of contributions with participating employers covering normal contributions which are payable at a rate calculated to cover future service benefits under the Pension Scheme.

Total employer contributions for 2024 are estimated to be \$21,000 (2023: \$97,000 including a discretionary contribution of \$78,000).

Group financial statements

Notes to the consolidated financial statements**40. Retirement benefit obligations – continued**

There are no agreed allocations of any surplus on either the wind-up of the Pension Scheme or on any participant's withdrawal from the Pension Scheme.

The sensitivity of the surplus as at 31 December 2020 to variations in certain of the principal assumptions underlying the actuarial valuation as at that date is summarised below:

	Increase in deficit \$'000
Decrease in discount rate by 0.1% p.a.	613
Increase inflation by 0.1% p.a.	272
Increase in long term rate of mortality improvement by 0.25% p.a.	340

The next actuarial valuation will be made as at 31 December 2023. This has not yet been completed.

The company is responsible for contributions payable by other (non-group) employers in the Pension Scheme, however such liability will only arise if other (non-group) employers do not pay their contributions. There is no expectation of this and, therefore, no provision has been made.

Indonesia

In accordance with Indonesian labour laws, group employees in Indonesia are entitled to lump sum payments on retirement at the age of 55 years. The group records a provision in the financial statements which is not financed by a third party: accordingly there are no separate assets set aside to fund these entitlements. The provision is assessed at each balance sheet date by an independent actuary using the projected unit credit method. The principal assumptions used were as follows:

	2023	2022
Discount rate (per cent)	6.81	7.39
Salary increases per annum (per cent)	6	6
Mortality table (Indonesia) (TM1)	IV/2019	IV/2019
Retirement age (years)	55	55
Disability rate (per cent of the mortality table)	10	10

The movement in the provision for employee service entitlements was as follows:

	2023 \$'000	2022 \$'000
Balance at 1 January	7,824	8,849
Current service cost	1,259	1,065
Interest expense	598	640
Past service cost	209	–
Actuarial loss / (gain) recognised in statement of comprehensive income	449	(374)
Reduction in future retirement benefit obligations	–	(801)
Exchange	156	(837)
Paid during the year	(1,040)	(718)
Transferred to assets held for sale (see note 34)	(357)	–
Balance at 31 December (see note 31)	9,098	7,824

40. Retirement benefit obligations – continued

The amounts recognised in the consolidated income statement were as follows:

	2023 \$'000	2022 \$'000
Current service cost	1,259	1,065
Past service cost	209	–
Reduction in future retirement benefit obligation	–	(801)
Interest expense	598	640
Exchange	156	(837)
	2,222	67

Estimated lump sum payments to Indonesian employees on retirement in 2024 are \$715,000 (2023: \$520,000).

The number of employees eligible for benefits in Indonesia is 6,555 (2022: 6,535). The average age of employees is 37.8 years with 8.0 years past service and 17.1 years estimated future service. The maturity profile of the retirement benefits is as follows:

	2023 \$'000	2022 \$'000
Within one year	69	69
Between two and five years	284	233
Between six and ten years	694	544
After ten years	8,051	6,978
	9,098	7,824

41. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the company and its subsidiaries are dealt with in the company's individual financial statements.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24: Related party disclosures. Further information about the remuneration of, and fees paid in respect of services provided by, individual directors is provided in the audited part of the Directors' remuneration report.

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

Group financial statements

Notes to the consolidated financial statements**42. Reconciliation to published circular**

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

	Actual \$'000	Circular \$'000
Dollar notes	26,572	26,572
Sterling notes	40,549	40,501
Loans from DSN group	13,484	24,125
Indonesian term bank loans	102,757	102,626
Drawings under short term (working capital) banking facilities	2,919	2,919
Short term revolving borrowings	6,098	–
	192,379	196,743
Cash and cash equivalents	(14,195)	(8,123)
End of year	178,184	188,620

In net debt the loans from the DSN group are \$13.5 million compared to \$24.1 million in the circular. The difference is due to \$10.6 million of loans that have been reclassified as held for sale (see note 34).

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

43. Rates of exchange

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

44. Events after the reporting period

As stated in note 34, in 2023 the group entered into a share subscription agreement with DSN. The agreement with DSN, the terms of which were set out in detail in a circular to shareholders in January 2024, were approved at a general meeting of shareholders held in February 2024. Closing of the further DSN share subscription, including the financial settlements due on closing, was completed in March 2024. The intra-group sale and purchase of PU was also completed in March 2024 affording the group the benefit of the whole of any profit that can be realised from the development of PU as a new oil palm plantation.

45. Contingent liabilities

In furtherance of Indonesian government policy which requires the owners of oil palm plantations to develop smallholder plantations (Plasma plantations), the REA Kaltim plantations group has established nine separate Plasma plantations owned by local cooperatives but under the management of the group. These Plasma plantations have, in the first instance, been funded by the group but, where possible, have subsequently been refinanced by local banks.

The first three Plasma plantations, established in 2009 and 2010 on land owned by smallholders, were refinanced by Bank BPD, a regional development bank, under which the cooperatives borrowed in aggregate rupiah 157 billion (\$11.6 million) with the amounts borrowed repayable over 14 years and secured on the lands under development. REA Kaltim has guaranteed the obligations of two of the cooperatives as to payments of principal and interest under the respective bank facilities. SYB has guaranteed the obligations of the third cooperative on a similar basis.

During 2022 SYB was able to secure refinancing from Bank Mandiri for two further co-operatives owning Plasma plantations that have been established on land within the SYB's titled plantation areas (the SYB HGU area). Under the refinancing arrangements Bank Mandiri provided one loan of rupiah 25 billion (\$1.6 million) repayable over 10 years and a second loan of rupiah 10.8 billion (\$0.7 million) repayable over 5 years. These loans are secured on the respective Plasma plantations together with certain land titles within the SYB HGU area. SYB has guaranteed the obligations of these two cooperatives as to payments of principal and interest under the respective bank facilities.

As at 31 December 2023 the aggregate outstanding balances owing by the five cooperatives to Bank BPD and Bank Mandiri amounted to rupiah 71.1 billion (\$4.6 million) (2022: rupiah 89.2 billion – \$5.7 million).

Company financial statements

Company balance sheet

as at 31 December 2023

	Note	2023 \$'000	2022 \$'000
Non-current assets			
Investments			
Shares in subsidiaries		91,775	91,775
Loans		148,830	148,007
	(v)	240,605	239,782
Financial assets	(vi)	21,031	30,100
Deferred tax assets	(vii)	1,178	884
Total non-current assets		262,814	270,766
Current assets			
Trade and other receivables	(viii)	415	66
Cash and cash equivalents	(ix)	3,810	317
Total current assets		4,225	383
Total assets		267,039	271,149
Current liabilities			
Trade and other payables	(x)	(1,391)	(1,308)
Total current liabilities		(1,391)	(1,308)
Non-current liabilities			
Dollar notes	(xi)	(26,572)	(26,412)
Amount owed to group undertaking	(xii)	(41,290)	(38,942)
Total non-current liabilities		(67,862)	(65,354)
Total liabilities		(69,253)	(66,662)
Net assets		197,786	204,487
Equity			
Share capital	(xiii)	133,590	133,590
Share premium account		47,374	47,374
Exchange reserve		(4,300)	(4,300)
Retained earnings		21,122	27,823
Total equity		197,786	204,487

The company reported a loss for the financial year ended 31 December 2023 of \$2,572,000 (2022: profit of \$14,676,000).

Authorised and approved by the board on 24 April 2024 and signed on behalf of the board.

DAVID J BLACKETT

Chairman

Company financial statements

Company statement of changes in equity

for the year ended 31 December 2023

	Note	Share capital \$'000	Share premium \$'000	Exchange reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 January 2022		133,586	47,358	(4,300)	29,677	206,321
Total comprehensive income		-	-	-	14,676	14,676
Dividends to preference shareholders	(iv)	-	-	-	(16,530)	(16,530)
Exercise of warrants	(xiii)	4	16	-	-	20
At 31 December 2022		133,590	47,374	(4,300)	27,823	204,487
Total comprehensive loss		-	-	-	(2,572)	(2,572)
Dividends to preference shareholders	(iv)	-	-	-	(4,129)	(4,129)
At 31 December 2023		133,590	47,374	(4,300)	21,122	197,786

Overview

Strategic report

Governance

Group financial statements

Company financial statements
Notice of AGM

Glossary

Company financial statements

Notes to the company financial statements

(i) Accounting policies

The accounting policies of R.E.A. Holdings plc (the company) are the same as those of the group, save as modified below.

Basis of accounting

Separate financial statements of the company are required by the CA 2006. These financial statements are prepared under the historical cost convention, except as described in the accounting policy on financial instruments, and in accordance with FRS 101 and applicable UK laws.

The company financial statements present information about the company as an individual undertaking not as a group undertaking.

The company has applied the exemptions under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes
- transactions with wholly owned subsidiaries
- capital management
- as required by IFRS 13: Fair Value Measurement and IFRS 7: Financial Instrument Disclosures
- the effect of new but not yet effective IFRSs
- disclosures in respect of compensation of key management personnel

For the reasons given under **Going concern** in the **Directors' report**, the company financial statements have been prepared on the going concern basis.

By virtue of section 408 of the CA 2006, the company is exempted from presenting an income statement or statement of comprehensive income. The loss attributable to the company is disclosed in the footnote to the company's balance sheet.

Presentational currency

The financial statements of the company are presented in dollars which is considered to be the functional currency of the company and the currency of the primary economic environment in which the company operates. References to \$ or dollar in the financial statements are to the lawful currency of the United States of America.

Adoption of new and revised standards

New standards and amendments to IFRSs and IASs issued by the IASB that are mandatorily effective for an accounting period beginning on 1 January 2023 have no impact on the disclosures or on the amounts reported in these financial statements.

(ii) Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are set out in note (i) above, the directors are required to make judgements, estimates and assumptions. Such judgements, estimates and assumptions are based upon historical experience and other factors that are considered to be relevant. Actual values of assets and amounts of liabilities may differ from estimates. The judgements, estimates and assumptions are reviewed on a regular basis. Revisions to estimates are recognised in the period in which the estimates are revised.

In the opinion of the directors, all critical accounting judgements and key sources of estimation uncertainty relate to the group's operations as disclosed in note 3 to the consolidated financial statements with the exception of the investments in, and loans to group companies which are a source of estimation uncertainty to the company only as these are eliminated in the consolidated financial statements.

As at 31 December 2023 the shares in subsidiaries are carried at cost of \$91.8 million (2022: \$91.8 million) and the loans to group companies at \$101.4 million (2022: \$108.4 million).

The carrying value of the investment in subsidiary undertakings is reviewed for impairment on an annual basis by means of the plantations and stone and coal impairment testing as described in note 3 to the consolidated financial statements.

(iii) Auditor's remuneration

The remuneration of the company's auditor is disclosed in note 7 to the consolidated financial statements as required by section 494(4)(a) of the CA 2006.

(iv) Dividends

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

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

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

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

Company financial statements

Notes to the company financial statements**(v) Investments**

	2023 \$'000	2022 \$'000
Shares in subsidiaries	91,775	91,775
Loans to group companies and third parties	148,830	148,007
	240,605	239,782

The movements were as follows:

	Shares \$'000	Loans \$'000
At 1 January 2022	91,775	163,953
Repayment of loans	–	(20,850)
Additions to loans	–	1,665
Release of provision	–	3,239
At 31 December 2022	91,775	148,007
Repayment of loans	–	(10,673)
Additions to loans	–	12,772
Increase in provision	–	(675)
Write off loans	–	(601)
At 31 December 2023	91,775	148,830

The subsidiaries at the year end, together with their countries of incorporation, activity, registered office address and proportion of ownership, are listed below. Details of UK dormant subsidiaries are not shown.

Subsidiary	Activity	Registered Office	Class of shares	Percentage owned
PT REA Kaltim Plantations (Indonesia)	Plantation agriculture	Gedung Grha Bintang 1st Floor B-C-D, Jl. Jend. Sudirman No. 423, Damai Bahagia, Balikpapan Selatan, Balikpapan 76114, Kalimantan Timur	Ordinary	85.0
PT Cipta Davia Mandiri (Indonesia)	Plantation agriculture	As for PT REA Kaltim Plantations	Ordinary	85.0
PT Kutai Mitra Sejahtera (Indonesia)	Plantation agriculture	As for PT REA Kaltim Plantations	Ordinary	85.0
PT Sasana Yudha Bhakti (Indonesia)	Plantation agriculture	As for PT REA Kaltim Plantations	Ordinary	80.8
PT Prasetya Utama (Indonesia)	Plantation agriculture	As for PT REA Kaltim Plantations	Ordinary	80.8
PT KCC Resources Indonesia (Indonesia)	Stone and coal marketing	Plaza 5 Pondok Indah Blok B.06, Jl. Margaguna Raya, Gandaria Utara, Kebayoran Baru, Jakarta Selatan 12140	Ordinary	95.0
R.E.A. Services Limited (England and Wales)	Group finance and services	5th Floor North, Tennyson House, 159-165 Great Portland Street, London W1W 5PA	Ordinary	100.0
KCC Resources Limited (England and Wales)	Sub holding company	As for R.E.A. Services Limited	Ordinary	100.0
PU Holdings Limited (England and Wales)	Sub holding company	As for R.E.A. Services Limited	Ordinary	100.0
Makassar Investments Limited (Jersey)	Sub holding company	13 Castle Street, St Helier, Jersey JE1 1ES	Ordinary	100.0
REA Finance B.V. (Netherlands)	Group finance	Van Heuven Goedhartlaan 935A, 1181 LD Amstelveen, Amsterdam, Netherlands	Ordinary	100.0

The entire shareholdings in Makassar Investments Limited, PU Holdings Limited, KCC Resources Limited, R.E.A. Services Limited and REA Finance B.V. are held directly by the company. All other shareholdings are held by subsidiaries.

Covenants contained in credit agreements between certain of the company's plantation subsidiaries and banks restrict the amount of dividend that may be paid to the UK without the consent of the banks to certain proportions of the relevant subsidiaries' pre-tax profits. The directors do not consider that such restrictions will have any significant impact on the liquidity risk of the company.

The company evaluates its investments in subsidiary undertakings annually for any indicators of impairment. The company considers the relationship between its market capitalisation and the carrying value of its investments, among other factors, when reviewing for indicators of impairment. However, as a result of the plantations and stone and coal impairment testing described in note 3 to the consolidated financial statements the directors have determined that no impairment is required.

(vi) Financial assets

	2023 \$'000	2022 \$'000
Amount owing by group undertakings	21,031	30,100
	21,031	30,100

The amounts owing by group undertakings are non-interest bearing.

(vii) Deferred tax asset

	\$'000
At 1 January 2022	1,090
Charge to income for the year	(206)
At 31 December 2022	884
Credit to income for the year	294
At 31 December 2023	1,178

There were no deferred tax liabilities at 31 December 2023 or 31 December 2022.

At the balance sheet date, the company had unused tax losses of \$4.7 million (2022: \$3.5 million) available to be applied against future profits. A deferred tax asset of \$1.2 million (2022: \$0.9 million) has been recognised in respect of these losses as the company considers, based on financial projections, that these losses will be utilised.

The deferred tax asset reflects a tax rate of 25 per cent (2022: 25 per cent).

The aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which tax liabilities have not been recognised are disclosed in note 30 to the consolidated financial statements.

(viii) Trade and other receivables

	2023 \$'000	2022 \$'000
Other debtors	114	63
Prepayments and accrued income	301	3
	415	66

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

(ix) Cash and cash equivalents

Cash and cash equivalents comprise short-term bank deposits. These deposits amounting to \$3.8 million (2022: \$0.3 million) are held with banks with a Moody's rating of P1.

Company financial statements

Notes to the company financial statements**(x) Trade and other payables**

	2023 \$'000	2022 \$'000
Amount owing to group undertakings	1,128	1,023
Other creditors	29	37
Accruals	234	248
	1,391	1,308

The directors consider that the carrying amount of trade and other payables approximates their fair value. The amounts owing to group undertakings are non-interest bearing and repayable on demand.

(xi) Dollar notes

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

On 3 March 2022 the repayment date for the dollar notes was extended from 30 June 2022 to 30 June 2026. In consideration of the noteholders sanctioning the extension of the redemption date, the company paid each noteholder a consent fee equal to 0.25 per cent of the nominal amount of the dollar notes held by such holder. In conjunction with the proposal to extend the redemption date for the dollar notes, the company put in place arrangements whereunder any noteholder who wished to realise their holding of dollar notes by the previous redemption date of 30 June 2022 was offered the opportunity so to do (the sale facility).

Holders of \$14.8 million nominal dollar notes elected to take advantage of the sale facility. \$6.0 million nominal of such dollar notes were resold and REAS acquired the unsold balance of \$8.8 million nominal of dollar notes. A further \$248,000 nominal of dollar notes was then resold at par for settlement on 30 June 2022. Accordingly, the total net amount of dollar notes purchased from divesting noteholders and held by REAS at 31 December 2022 was \$8.6 million.

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

(xii) Amount owed to group undertaking

Amount owed to group undertaking comprises an unsecured interest-bearing loan of £31.3m – \$39.9 million (2022: £31.3m – \$37.8 million) from REAF held at amortised cost. The sterling notes issued by REAF are repayable on 31 August 2025 (see note 28 to the consolidated financial statements). The amount owed by the company to REAF is also repayable on that date. A premium of 4p per £1 nominal of sterling notes will be paid on redemption of the sterling notes in August 2025 (or earlier in the event of default), and an equivalent premium will be payable on the loan on 31 August 2025. The cost of this is being added to the loan over the period to 31 August 2025. The amount added as at 31 December 2023 is £1.1 million – \$1.4 million (2022: £1.0 million – \$1.2 million), of which £90,000 – \$115,000 (2022: £82,000 – \$96,000) has been charged as a finance cost in the company's income statement.

(xiii) Share capital

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

The preference shares entitle the holders thereof to payment, out of the profits of the company available for distribution, but subject to the approval of a board resolution to make a distribution out of available profits, of a cumulative preferential dividend of 9 per cent per annum on the nominal amount paid up on such preference shares. The preference shares shall rank for dividend in priority to the payment of any dividend to the holders of any other class of shares. In the event of the company being wound up, holders of the preference shares shall be entitled to the amount paid up on the nominal value of such shares together with any arrears and accruals of the dividend thereon. On a winding up or other return of capital, the preference shares shall rank in priority to any other shares of the company for the time being in issue.

Subject to the rights of the holders of preference shares, holders of ordinary shares are entitled to share equally with each other in any dividend paid on the ordinary share capital and, on a winding up of the company, in any surplus assets available for distribution among the members. Shares held by the company in treasury do not carry voting rights.

The company has outstanding 3,997,760 warrants to subscribe for ordinary shares (2022: 3,997,760 warrants). Each warrant entitles the holder to subscribe for one ordinary share at a subscription price of 126p per share on or before 15 July 2025. Holders of sterling notes exercising warrants may satisfy the subscription obligations by surrendering sterling notes (see note 28).

Changes in share capital	9 per cent cumulative preference shares of £1 each	Ordinary shares of 25p each
Issued and fully paid:		
At 1 January 2022	72,000,000	43,950,529
Issued during 2022	–	13,000
At 31 December 2022 and 2023	72,000,000	43,963,529

There have been no changes in preference share capital or ordinary shares held in treasury during the current year.

On 22 April 2022, following receipt of a notice of exercise of 13,000 warrants, the company issued and allotted 13,000 new ordinary shares with a nominal value of 25p each fully paid at the subscription price of 126p per share.

Company financial statements

Notes to the company financial statements**(xiv) Pensions**

The company is the principal employer of the Pension Scheme and a subsidiary company is a participating employer. The Pension Scheme is a multi-employer contributory defined benefit scheme with assets held in a trustee-administered fund, which has participating employers outside the group. The Pension Scheme is closed to new members.

As the Pension Scheme is a multi-employer scheme, in which the employers are unable to identify their respective shares of the underlying assets and liabilities (because there is no segregation of the assets), and does not prepare valuations on an IAS 19 basis, the group accounts for the Pension Scheme as if it were a defined contribution scheme. The company's share of the total employer contribution is 6.3 per cent.

A non-IAS 19 valuation of the Pension Scheme was last prepared, using the attained age method, as at 31 December 2020. This method had been adopted in the previous valuation as at 31 December 2017 and in earlier valuations, as it was considered the appropriate method of calculating future service benefits as the Pension Scheme is closed to new members. At 31 December 2020 the Pension Scheme had an overall marginal deficit of assets, when measured against the Pension Scheme's technical provisions, of £2.2 million. The technical provisions were calculated using assumptions of an investment return equal to the Bank of England gilt curve plus 1.2 per cent per annum reducing to 0.25 per cent per annum over the 10 years following the valuation date and annual increases in pensionable salaries in line with the RPI. It was further assumed that the retired members' mortality would reflect S3PXA tables (light version) at 100 per cent and that non-retired members would take on retirement the maximum cash sums permitted from 1 January 2021. Had the Pension Scheme been valued at 31 December 2020 using the projected unit method and the same assumptions, the overall deficit would have been similar.

The Pension Scheme has agreed a statement of funding principles with the company and has also agreed a schedule of contributions with participating employers covering normal contributions which are payable at a rate calculated to cover future service benefits under the Pension Scheme.

Total employer contributions for 2024 are estimated to be \$21,000 (2023: \$97,000 including a discretionary contribution of \$78,000).

There are no agreed allocations of any surplus on either the wind-up of the Pension Scheme or on any participant's withdrawal from the Pension Scheme.

The next actuarial valuation will be made as at 31 December 2023. This has not yet been completed.

The company is responsible for contributions payable by other (non-group) employers in the Pension Scheme; however, such liability will only arise if other (non-group) employers do not pay their contributions. There is no expectation of this and, therefore, no provision has been made.

(xv) Related party transactions

	2023 \$'000	2022 \$'000
Loans to subsidiaries		
PT KCC Resources Indonesia	16,400	15,482
PT REA Kaltim Plantations	19,745	27,643
Makassar Investments Limited	65,297	65,297
	101,442	108,422
Interest receivable from subsidiary		
PT REA Kaltim Plantations	1,345	1,593
PT KCC Resources Indonesia	1,019	713
	2,364	2,306

(xvi) Rates of exchange

See note 43 to the consolidated financial statements.

(xvii) Events after the reporting period

As stated in note 34 to the consolidated financial statements, in 2023 the group entered into a share subscription agreement with DSN. The agreement with DSN, the terms of which were set out in detail in a circular to shareholders in January 2024, were approved at a general meeting of shareholders held in February 2024. Closing of the further DSN share subscription, including the financial settlements due on closing, was completed in March 2024. The intra-group sale and purchase of PU was also completed in March 2024 affording the group the benefit of the whole of any profit that can be realised from the development of PU as a new oil palm plantation.

(xviii) Contingent liabilities and commitments**Sterling notes**

The company has guaranteed the obligations for both principal and interest relating to the outstanding £30.9 million nominal 8.75 per cent sterling notes 2025 issued by REAF. The directors consider the risk of loss to the company from these guarantees to be remote.

Bank borrowings

The company has given, in the ordinary course of business, guarantees in support of subsidiary company borrowings from, and other contracts with, banks amounting in aggregate to \$109.5 million (2022: \$122.0 million). The directors consider the risk of loss to the company from these guarantees to be remote.

Pension liability

The company's contingent liability for pension contributions is disclosed in note (xiv) above.

Notice of annual general meeting

This notice is important and requires your immediate attention. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if you are not so resident, another appropriately authorised independent adviser. If you have sold or otherwise transferred all your shares in R.E.A. Holdings plc, please forward this document to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice of the sixty fourth annual general meeting (AGM) of R.E.A. Holdings plc to be held at the London office of Ashurst LLP at London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW on 6 June 2024 at 10.00 am is set out below.

Attendance

To help manage the number of people in attendance, we are asking that only shareholders or their duly nominated proxies or corporate representatives attend the AGM in person. Anyone who is not a shareholder or their duly nominated proxies or corporate representatives should not attend the AGM unless arrangements have been made in advance with the company secretary by emailing company.secretary@rea.co.uk.

Shareholders are strongly encouraged to submit a proxy vote on each of the resolutions in the notice in advance of the meeting:

- (i) by visiting Computershare's electronic proxy service www.investorcentre.co.uk/eproxy (and so that the appointment is received by the service by no later than 10.00 am on 4 June 2024); or
- (ii) via the CREST electronic proxy appointment service; or
- (iii) by completing, signing and returning a form of proxy to the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, so as to arrive by no later than 10.00 am on 4 June 2024; or
- (iv) by using the Proximity platform if you are an institutional investor (for more information see below).

The company will make further updates, if any, about the meeting at www.rea.co.uk/investors/regulatory-news and on the website's home page. Shareholders are accordingly requested to visit the group's website for any such further updates.

The directors and the chairman of the meeting, and any person so authorised by the directors, reserve the right, as set out in article 67 in the company's articles of association, to take such action as they think fit for securing the safety of people at the meeting and promoting the orderly conduct of business at the meeting.

Notice

Notice is hereby given that the sixty fourth AGM of R.E.A. Holdings plc will be held at London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW on 6 June 2024 at 10.00 am for the following purposes and to consider and, if thought fit, to pass the resolutions set out at 13 to 18 below. Resolutions 16, 17 and 18 will be proposed as special resolutions; all other resolutions will be proposed as ordinary resolutions.

1. To receive the company's annual accounts for the financial year ended 31 December 2023, together with the accompanying statements and reports including the independent auditor's report.
2. To approve the directors' remuneration report for the financial year ended 31 December 2023.
3. To approve the directors' remuneration policy to take effect immediately following the AGM.
4. To re-elect as a director David Blackett.
5. To re-elect as a director Mieke Djailil.
6. To re-elect as a director Carol Gysin.
7. To re-elect as a director John Oakley.
8. To re-elect as a director Richard Robinow.
9. To re-elect as a director Rizal Satar.
10. To re-elect as a director Michael St. Clair-George.
11. To re-appoint MHA as independent auditor of the company to hold office until the conclusion of the next AGM of the company at which accounts are laid before the meeting.
12. To authorise the audit committee to determine and approve the remuneration of the independent auditor.
13. That the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (CA 2006) to make market purchases (within the meaning of section 693(4) of the CA 2006) of its ordinary shares on such terms and in such manner as the directors may from time to time determine provided that:
 - (a) the maximum number of ordinary shares which may be purchased is 5,000,000 ordinary shares;
 - (b) the minimum price (exclusive of expenses, if any) that may be paid for each ordinary share is 50p;
 - (c) the maximum price (exclusive of expenses, if any) that may be paid for each ordinary share is an amount equal to the higher of: (i) 105 per cent of the average of the middle market quotations for the ordinary shares in the capital of the company as derived from the Daily Official List of the

London Stock Exchange (LSE) for the five business days immediately preceding the day on which such share is contracted to be purchased and (ii) the higher of the last independent trade of an ordinary share and the current highest independent bid on the LSE; and

- (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the AGM of the company to be held in 2025 (or, if earlier, on 30 June 2025)

provided further that:

- (i) notwithstanding the provisions of paragraph (a) above, the maximum number of ordinary shares that may be bought back and held in treasury at any one time is 400,000 ordinary shares; and
- (ii) notwithstanding the provisions of paragraph (d) above, the company may, before this authority expires, make a contract to purchase ordinary shares that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired.

14. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the CA 2006 to exercise all the powers of the company to allot, and to grant rights to subscribe for or to convert securities into, shares in the capital of the company (other than 9 per cent cumulative preference shares) up to an aggregate nominal amount (within the meaning of sub-sections (3) and (6) of section 551 of the CA 2006) of £3,652,585; such authorisation to expire at the conclusion of the next AGM of the company (or, if earlier, on 30 June 2025), save that the company may before such expiry make any offer or agreement which would or might require shares to be allotted, or rights to be granted, after such expiry and the directors may allot shares, or grant rights to subscribe for or to convert securities into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired.

15. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the CA 2006 to exercise all the powers of the company to allot, and to grant rights to subscribe for or to convert securities into, 9 per cent cumulative preference shares in the capital of the company (the preference shares) up to an aggregate nominal amount (within the meaning of sub-sections (3) and (6) of section 551 of the CA 2006) of £24,000,000, such authorisation to expire at the conclusion of the next AGM of the company (or, if earlier, on 30 June 2025), save that the company may before such expiry make any offer or agreement which would or might require preference shares to be allotted or rights to be granted, after such expiry and the directors may allot preference shares, or grant rights to subscribe for or to convert securities into preference shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired.

16. That the directors be and are hereby given power:

- (a) for the purposes of section 570 of the CA 2006 and subject to the passing of resolution 13 set out in the notice of the 2024 AGM, to allot equity securities (as defined in sub-section (1) of section 560 of the CA 2006) of the company for cash pursuant to the authorisation conferred by the said resolution 14; and
- (b) for the purposes of section 573 of the CA 2006, to sell ordinary shares (as defined in sub-section (1) of section 560 of the CA 2006) in the capital of the company held by the company as treasury shares for cash.

as if section 561 of the CA 2006 did not apply to the allotment or sale, provided that such powers shall be limited:

- (i) to the allotment of equity securities for cash in connection with a rights issue or open offer in favour of the sale of treasury shares by way of an invitation to, holders of ordinary shares (and holders of any other class of equity securities entitled to participate therein or, if the directors consider it necessary, as permitted by the rights of those securities), in each case in proportion (as nearly as practicable) to the respective numbers of ordinary shares (or equity securities) held by them on the record date for participation in the rights issue, open offer or invitation but subject in each case to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares (other than treasury shares being sold), record dates or legal, regulatory or practical difficulties which may arise under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory whatsoever; and
- (ii) otherwise than as specified at paragraph (i) of this resolution, to the allotment of equity securities and the sale of treasury shares up to an aggregate nominal amount (calculated, in the case of the grant of rights to subscribe for, or convert securities into, shares in the capital of the company, in accordance with sub-section (6) of section 551 of the CA 2006) of £1,095,775; and shall expire at the conclusion of the next AGM of the company (or, if earlier, on 30 June 2025), save that the company may before such expiry make an offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors may allot equity securities or sell treasury shares, in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

17. That the directors be and are hereby given power, in addition to the power given by resolution 16:

- (a) for the purposes of section 570 of the CA 2006 and subject to the passing of resolution 13 and 15 set out in the notice of the 2024 AGM, to allot equity securities (as defined in sub-section (1) of section 560 of the CA 2006) of the company for cash pursuant to the authorisation conferred by the said resolution 14; and

Notice of annual general meeting

continued

- (b) for the purposes of section 573 of the CA 2006, to sell ordinary shares (as defined in sub-section (1) of section 560 of the CA 2006) in the capital of the company held by the company as treasury shares for cash.

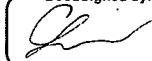
as if section 561 of the CA 2006 did not apply to the allotment or sale, provided that such powers shall be:

- (i) used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the directors have determined to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice, or for any other purposes as the Company in general meeting may at any time by special resolution determine; and
- (ii) limited to the allotment of equity securities for cash and the sale of treasury shares up to an aggregate nominal amount (calculated, in the case of the grant of rights to subscribe for, or convert securities into, shares in the capital of the company, in accordance with sub-section (6) of section 551 of the CA 2006) of £1,095,775.

and shall expire at the conclusion of the next AGM of the company (or, if earlier, on 30 June 2025), save that the company may before such expiry make an offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors may allot equity securities or sell treasury shares, in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

18. That a general meeting of the company other than an AGM may be called on not less than 14 clear days' notice.

DocuSigned by:



C35E3B17A2264FD...

By order of the board

R.E.A. SERVICES LIMITED

Secretary

24 April 2024

Registered office:

5th Floor North, Tennyson House
159-165 Great Portland Street
London W1W 5PA

Registered in England and Wales no: 00671099

Notes

The sections of the accompanying Directors' report entitled Directors, Acquisition of the company's own shares, Authorities to allot share capital, Authority to disapply pre-emption rights, General meeting notice period and Recommendation contain information regarding, and recommendations by the board of the company as to voting on, the resolutions to be proposed pursuant to 4 to 10 above, and set out at 13 to 18 above, in this notice (the 2024 Notice) of the 2024 AGM of the company.

The company specifies that in order to have the right to attend and vote at the AGM (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the company at close of business on 4 June 2024 or, in the event of any adjournment, at close of business on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting. Please refer to the introduction to this notice for information on attendance at the 2024 AGM.

A holder of shares may appoint another person as that holder's proxy to exercise all or any of the holder's rights at the AGM. A holder of shares may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to (a) different share(s) held by the holder. A proxy need not be a member of the company. A form of proxy for the meeting can be requested from the company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by calling +44 (0) 370 707 1031 (lines are open from 8.30 am to 5.30 pm (UK time), Monday to Friday) or by email to webcorres@computershare.co.uk. To be valid, forms of proxy and other written instruments appointing a proxy must be received by post or by hand (during normal business hours only) by the company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 10.00 am on 4 June 2024.

Alternatively, appointment of a proxy may be submitted electronically by visiting www.investorcentre.co.uk/eproxy. You will be asked to enter the Control Number, Shareholder Reference Number (SRN) and PIN shown on the Form of Proxy, so that the appointment is received by the service by no later than 10.00 am on 4 June 2024 or the CREST electronic proxy appointment service as described below.

CREST members may register the appointment of a proxy or proxies for the AGM and any adjournment(s) thereof through the CREST electronic proxy appointment service by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST) subject to the company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment, or instruction regarding a proxy appointment, made or given using the CREST service to be valid, the appropriate CREST message (a CREST proxy instruction) must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited (Euroclear) and must contain the required information as described in the CREST Manual (available via www.euroclear.com/CREST). The CREST proxy instruction, regardless of whether it constitutes a proxy appointment or an instruction to amend a previous proxy appointment, must, in order to be valid, be transmitted so as to be received by the company's registrars (ID: 3RA50) by 10.00 am on 4 June 2024. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST applications host) from which the company's registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that such member's CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Company's registrar, Computershare Investor Services PLC. For further information regarding Proximity, please go to www.proximity.io. Your proxy must be lodged by 10.00 am on 4 June 2024 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

The rights of members in relation to the appointment of proxies described above do not apply to persons nominated under section 146 of the CA 2006 to enjoy information rights (nominated persons) but a nominated person may have a right, under an agreement with the member by whom such person was nominated, to be appointed (or to have someone else appointed) as a proxy for the AGM. If a nominated person has no such right or does not wish to exercise it, such person may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, where more than one representative is appointed, each such representative is appointed to exercise the rights attached to (a) different share(s) held by the corporation. Any member attending the AGM has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

A copy of this 2024 Notice, and other information required by section 311A of the CA 2006, may be found on the group's website at www.rea.co.uk.

Under section 527 of the CA 2006, members meeting the threshold requirements set out in that section have the right to require the company to publish on a website (in accordance with section 528 of the CA 2006) a statement setting out any matter that the members propose to raise at the relevant AGM relating to (i) the audit of the company's annual accounts that are to be laid before the AGM (including the independent auditor's report and the conduct of the audit); or (ii) any circumstance connected with an auditor of the company having ceased to hold office since the last AGM of the company. The company may not require the members requesting any such website publication to pay its expenses in complying with section 527 or section 528 of the CA 2006. Where the company is required to place a statement on a website under section 527 of the CA 2006, it must forward the statement to the company's auditor by not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the company has been required under section 527 of the CA 2006 to publish on a website.

Notice of annual general meeting

continued

Under section 338 and section 338A of the CA 2006, members meeting the threshold requirements in those sections have the right to require the company (i) to give, to members of the company entitled to receive notice of the AGM, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the company not later than the date 6 clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

As at the date of this 2024 Notice, the issued share capital of the company comprises 43,963,529 ordinary shares, of which 132,500 are held as treasury shares, and 72,000,000 9 per cent cumulative preference shares. Accordingly, the voting rights attaching to shares of the company exercisable in respect of each of the resolutions to be proposed at the AGM total 43,831,029 as at the date of this 2024 Notice.

Shareholders may not use any electronic address (within the meaning of sub-section 4 of section 333 of the CA 2006) provided in this 2024 Notice (or any other related document) to communicate with the company for any purposes other than those expressly stated.

Glossary

General

2024 Notice	Notice of the 2024 AGM	EN	Endangered
AGM	Annual general meeting	ESG	Environmental, social and governance
APT	PT Ade Putra Tanrajeng	EUDR	EU Deforestation Regulation
ATP	PT Aragon Tambang Pratama	EU RED	European Union Renewable Energy Directive
Bank BPD	Bank Pembangunan Daerah Kalimantan Timur	FCA	Financial Conduct Authority
Bank Mandiri	PT Bank Mandiri Tbk	FFB	Fresh fruit bunches
BOD	Biological oxygen demand	FOB	Free On Board
BPJS	Indonesian national insurance scheme	FPIC	Free Prior and Informed Consent
CA 2006	The Companies Act 2006	FRC	Financial Reporting Council
CCWG	Climate change working group	FRS 101	Financial Reporting Standard 101 Reduced Disclosure Framework
CDM	PT Cipta Davia Mandiri	FTE	Full time equivalent
CGU	Cash generating unit	GHG	Greenhouse gas
CIF	Cost, Insurance and Freight	GHG Corporate Standard	GHG Protocol Corporate Accounting and Reporting Standard
COD	Chemical oxygen demand	HCS	High carbon stocks
Code	UK Corporate Governance Code 2018	HCV	High conservation values
COM	Cakra oil mill	HGU (<i>Hak Guna Usaha</i>)	Indonesian land title for agricultural purposes
CPKO	Crude palm kernel oil	IAS	International Accounting Standard
CPO	Crude palm oil	IASB	International Accounting Standards Board
CR	Critically endangered	IFRS(s)	International Financial Reporting Standard(s)
CSR	Corporate and social responsibility	IKN	Ibu Kota Nusantara, new Indonesian capital city under construction
CWE	Chandra Widya Edukasi, a specialist palm oil polytechnic	IPA	PT Indo Pancadasa Agrotama
DEI	Diversity, equality and inclusion	ISCC	International Sustainability and Carbon Certification
DGTR	Disclosure Guidance and Transparency Rules	ISPO	Indonesian Sustainable Palm Oil
Dollar notes	7.5 per cent dollar notes 2026	IUCN	International Union for Conservation of Nature
Dollars, \$	The lawful currency of the United States of America	<i>Izin Lokasi</i>	Indonesian land allocation, subject to completion of titling
DSN	PT Dharma Satya Nusantara Tbk	JORC	Joint Ore Reserves Committee
EBITDA	Earnings before interest, tax, depreciation and amortisation		
EFB	Empty fruit bunches		
Emba	Emba Holdings Limited		

Glossary

KCC	KCC Resources Limited	REA Kon	The group's conservation department
KCCRI	PT KCC Resources Indonesia	REA Mart	Employee cooperative shops
KCP	Kernel crushing plant	REAS	R.E.A. Services Limited
KLK	Kuala Lumpur Kepong Berhad	REAT	R.E.A. Trading plc
KMS	PT Kutai Mitra Sejahtera	RPI	Retail Prices Index
KPI	Key performance indicator	RSPO	Roundtable on Sustainable Palm Oil
KPT	KLK Plantations and Trading Pte. Ltd.	RTE	Rare, threatened and endangered
LSE	London Stock Exchange	Rupiah, Rp	The lawful currency of Indonesia
MIL	Makassar Investments Limited	SBTi	Science Based Targets initiative
MCU	PT Millenia Coalindo Utama	SEARRP	South East Asian Rainforest Research Partnership
MHA	The company's independent auditor	SECR	Streamlined energy and carbon reporting
NDPE	No deforestation, no peat, no exploitation	SEnSOR	Socially and Environmentally Sustainable Oil Palm Research
OHS	Occupational health and safety	SIA	Social impact assessment
PalmGHG	RSPO calculator for estimating and monitoring GHG emissions	SOM	Satria oil mill
PBJ	PT Putra Bongan Jaya	SPA	Share purchase agreement
PBJ2	PT Persada Bangun Jaya	SPOTT	Sustainable Palm Oil Transparency Toolkit
Pension Scheme	REA Pension Scheme	Sterling, pounds sterling, £	The lawful currency of the United Kingdom
Plasma	Smallholder plantation scheme	Sterling notes	8.75 per cent sterling notes 2025
PLN	Perusahaan Listrik Negara	SYB	PT Sasana Yudha Bhakti
POM	Perdana oil mill	Taiko	Taiko Plantations Pte. Ltd.
POME	Palm oil mill effluent	TCFD	Taskforce on Climate-related Financial Disclosures
PPE	Property, plant and equipment	UK GDPR	UK General Data Protection Regulation
PPMD	Program Pemberdayaan Masyarakat Desa (smallholder scheme)	Website	www.rea.co.uk
PROPER	Pollution Control, Evaluation and Rating	WHO	World Health Organisation
PSS	PT Selatan Selabara	ZSL	Zoological Society of London
PU	PT Prasetia Utama		
PUH	PU Holdings Limited		
PwC	PricewaterhouseCoopers		
REAF	REA Finance B.V.		
REA Kaltim	PT REA Kaltim Plantations		

Overview

Strategic report

Governance

Group financial statements

Company financial statements

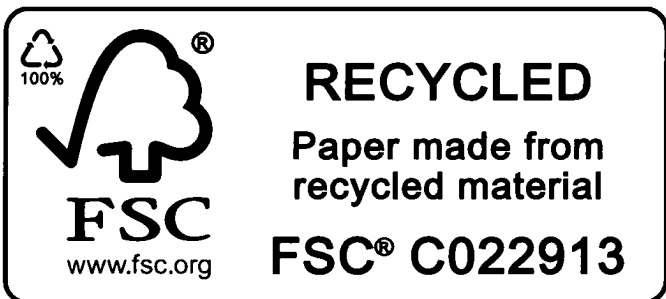
Notice of AGM

Glossary

This report has been managed by Perivan Financial Limited (268156) using an environmental management system that complies with the internationally recognised ISO 14001 certification and is FSC® certified.

100% of the inks used are vegetable oil based, 95% of the press chemicals are recycled for further use, and on average 100% of any waste associated with this production will be recycled.

This publication has been printed by a CarbonNeutral® Company on Revive Silk 100, made from FSC® Recycled certified post-consumer waste pulp from responsible sources. This ensures that there is an audited chain of custody from the tree in the well-managed forest through to the finished document in the printing factory. The paper is Carbon Balanced with the World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.



Printed by:

perivan

perivan.com



R.E.A. HOLDINGS PLC

R.E.A. Holdings plc
5th Floor North
Tennyson House
159-165 Great Portland Street
London
W1W 5PA

www.rea.co.uk

Registered number
00671099 (England and Wales)