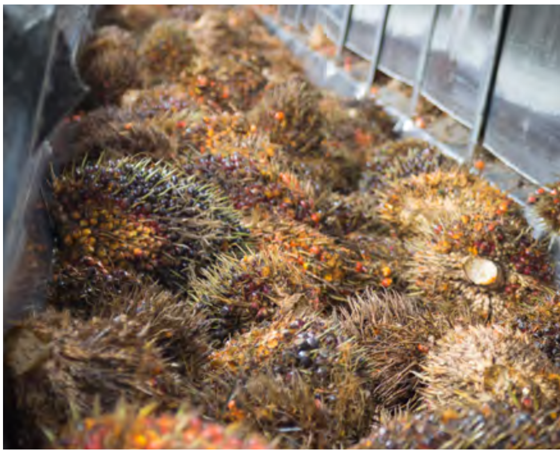
R.E.A. HOLDINGS PLC



Half yearly report

2020

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

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

Main picture:	FFB
Upper right picture:	Processing
Bottom right picture:	The endangered Proboscis monkey (*Nasalis larvatus*), endemic to Kalimantan. Photographed on Tepian estate (August 2020). REA taking active measures towards its conservation.

Key statistics

	6 months to 30 June 2020	6 months to 30 June 2019
Results ($'000)		
Revenue	62,356	56,584
Earnings before interest, tax, depreciation and amortisation*	11,242	(110)
Loss before tax	(7,231)	(29,496)
Loss attributable to ordinary shareholders	(7,881)	(19,143)
Cash generated by operations**	29,810	5,278
Return per ordinary share		
Loss (US cents)	(17.9)	(47.3)
FFB harvested (tonnes)		
Group	349,087	335,177
Third party	91,861	94,680
Total	440,948	429,857
Production (tonnes)		
FFB processed	430,292	421,527
FFB sold	11,514	7,440
CPO	98,652	96,514
Palm kernels	21,444	18,882
CPKO	6,912	5,547
Extraction rates (percentage)		
CPO	22.9	22.9
Palm kernel	5.0	4.5
CPKO	39.8	39.9
Average exchange rates		
Indonesian rupiah to US dollar	14,622	14,229
US dollar to pound sterling	1.27	1.29

* See note 5
** See note 16

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

References to PBJ are to the group's formerly owned subsidiary, PT Putra Bongan Jaya.

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

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

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

References to "sterling" or "pound sterling" are to the lawful currency of the United Kingdom.

Contents

Highlights

Overview

- Oil palm cultivation deemed an essential industry by the Indonesian government, allowing operations to continue normally, albeit with certain changes to working practices because of Covid-19
- CPO and CPKO markets and prices in the first half of 2020 adversely affected by the pandemic but now recovering

Financial

- Revenue up 10 per cent to $62.4 million (2019: $56.6 million), benefitting from higher average selling prices for CPO of $527 (2019: $430) per tonne
- Estate operating costs reduced to $28.4 million (2019: $32.6 million) and administrative costs to $6.2 million (2019: $8.4 million) following 2019 cost saving initiatives
- EBITDA increased to $11.2 million (2019: loss of $0.1 million)
- Pre-tax loss decreased 76 per cent to $7.2 million (2019: loss of $29.5 million), assisted by a $10.7 million positive swing in foreign exchange
- Debt repayment of $50.0 million (£30.9 million sterling notes and $11.1 million loan from PT Dharma Satya Nusantara Tbk ("DSN"), the group's local 15 per cent partner in REA Kaltim) rescheduled in March 2020 from August 2020 to August 2025

Agricultural operations

- FFB production increased to 349,087 tonnes (2019: 335,177 tonnes); overall crop for 2020 expected to be weighted to the second half
- Small reduction in third party FFB purchased to 91,861 tonnes (2019: 94,680 tonnes), with the group no longer processing crop from the formerly owned PBJ estate
- CPO extraction rates averaged 22.9 per cent (2019: 22.9 per cent) with operational improvements to come through as the mill works (extended by delays with contractors and supplies of materials) complete

Stone and coal interests

- Stone concession holding company close to concluding agreements to permit evacuation of stone once quarrying commences
- Recommencement of coal production by IPA on hold due to Covid-19 and weak coal prices

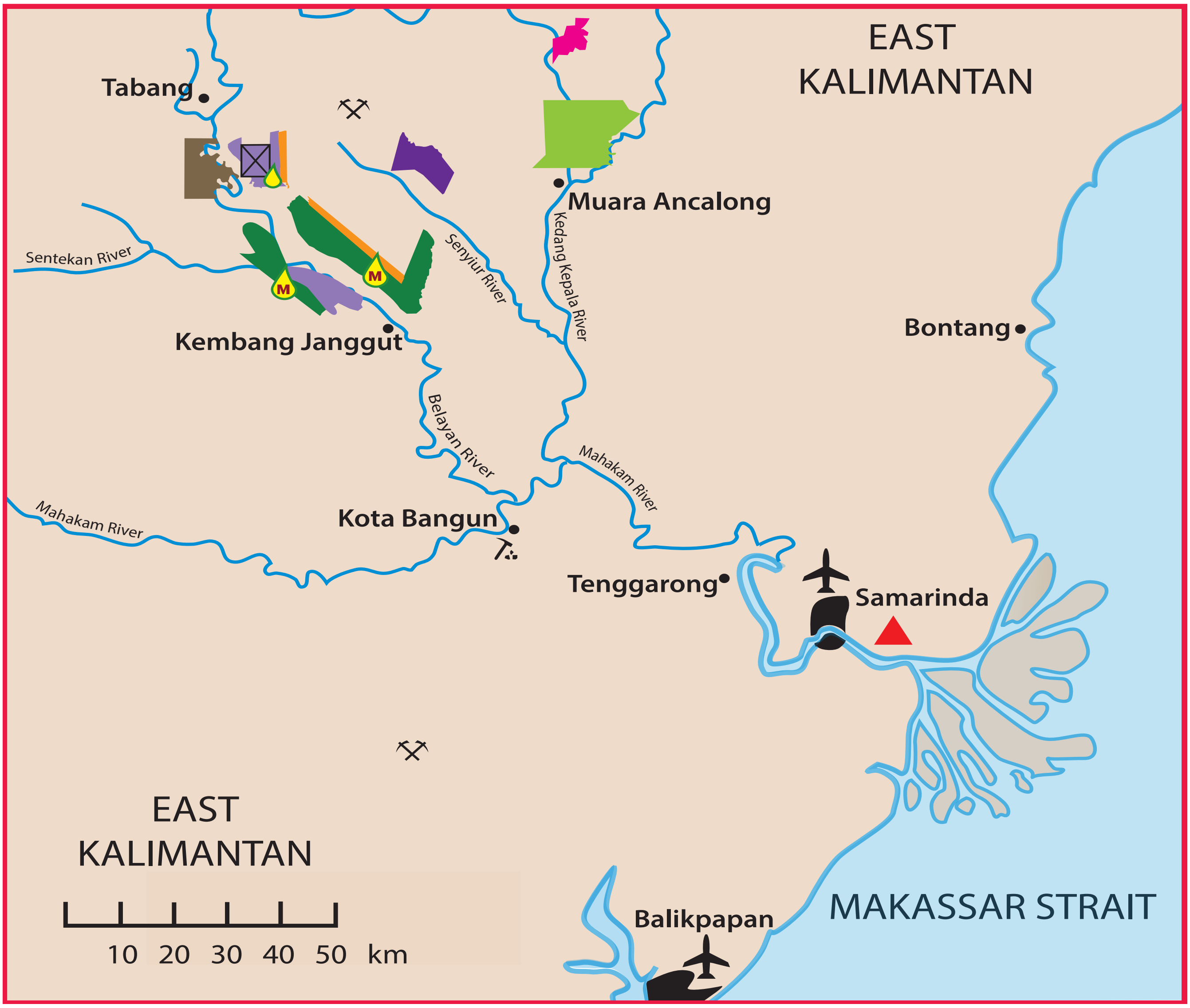
Sustainability

- Recertification audits successfully concluded and licences renewed despite logistical constraints due to Covid-19 travel restrictions
- Proposals regarding compensation arrangements in respect of two HCV assessments approved by the RSPO
- Recycling centres established in housing areas under new government initiative to reduce volume of waste from employee households

Outlook

- Firmer prices for CPO and CPKO should continue as a consequence of recent low levels of planting and replanting in Indonesia and reduced fertiliser applications by some growers, resulting in slower growth in production
- Current higher prices for CPO and CPKO and the benefit of the cost saving and efficiency measures implemented in 2019 to impact positively results for the year overall, subject to risks of Covid-19
- $7.5 million reduction in net indebtedness since 30 June 2020 by a capitalisation as equity of DSN's loan to REA Kaltim
- Provided that current product pricing and good crops continue, extended credit from suppliers and customers can be progressively reduced to normal levels
- Liquidity to improve if better operating performance and higher CPO prices maintained and current bank discussions successfully concluded so as to permit resumption of preference dividends in 2021

Map



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

Key	
M	Methane capture plant
	Oil mill
	Stone source
	Coal concession
	Tank storage

Companies		
	CDM	PT Cipta Davia Mandiri
	KKS	PT Kartanegara Kumalasakti
	KMS	PT Kutai Mitra Sejahtera
	PBJ2	PT Persada Bangun Jaya
	REAK	PT REA Kaltim Plantations
	SYB	PT Sasana Yudha Bhakti
	PU	PT Prasetia Utama
	SYB	SYB land to be transferred

Results

Average selling prices and key components of the income statement for the six months to 30 June 2020, with comparative figures for 2019, were as follows:

	6 months to 30 June 2020 $	6 months to 30 June 2019 $	Year to 31 December 2019 $
Average selling prices per tonne:			
CPO	527	430	453
CPKO	616	590	533
	$'m	$'m	$'m
Revenue	62.4	56.6	125.0
Operating loss	(2.9)	(13.7)	(9.1)
Loss before tax	(7.2)	(29.5)	(43.7)

Results for the six-month period to 30 June 2020 benefitted from a combination of higher average selling prices, lower estate operating costs due to cost reduction initiatives, a significant reduction to cost of sales arising from the stock movement at historic cost and a $10.7 million positive swing in the effect of foreign exchange. Taken together, this resulted in a reduced loss before tax for the first half of 2020 of $7.2 million (2019: loss of $29.5 million).

Crops are normally weighted to the second half of each year so results for the full year should reflect the benefit of increased sale volumes in the second half without proportionately higher costs.

Earnings before interest, depreciation, amortisation, and tax amounted to $11.2 million for the six months to 30 June 2020 (2019: loss of $0.1 million).

Specific components of the results

Sales volumes in the first half of 2019 included sales of an unusually large carry over of stock from 2018. This meant that, although the average price realised for CPO sales in the six months to 30 June 2020 was some 23 per cent higher than in the corresponding period of 2019, revenue increased by only 10 per cent. However, the corollary of this was a much lower charge to cost of sales in respect of movement in stock.

Cost of sales for the six months to 30 June 2020, with comparative figures for 2019, was made up as follows:

	6 months to 30 June 2020 $'m	6 months to 30 June 2019 $'m	Year to 31 December 2019 $'m
Purchase of external FFB	10.4	8.2	17.8
Estate operating costs	28.4	32.6	67.6
Depreciation and amortisation	14.1	13.6	27.3
Stock movement at historic cost	1.0	8.8	9.1
	53.9	63.2	121.8

Cost of sales was $9.3 million lower than for the corresponding period in 2019. This was principally due to the much lower charge in respect of stock movement for the reasons noted above. There was also a $4.2 million reduction in estate operating costs reflecting a combination of the cost saving initiatives and some changes to the phasing of fertiliser applications.

The cost of purchases of third party FFB increased by 27 per cent reflecting higher average CPO and CPKO prices for the period.

Administrative expenses charged in the income statement amounted to $6.2 million against the $8.4 million charged in 2019, again reflecting the cost saving initiatives and in particular the closure of the Singapore office.

Finance costs, comprising interest and other finance charges, amounted, before capitalisation, to $4.6 million for the period to 30 June 2020 (2019: $16.3 million). The principal component of the reduction of $11.7 million was, as mentioned above, the $10.7 million positive swing in foreign exchange as a result of weakening of both the rupiah and sterling against the dollar. This resulted in foreign exchange profits in the period of $5.7 million (2019: loss $5.0 million).

The tax charge for the period was $0.8 million against a deferred tax credit of $5.0 million in the corresponding period of 2019.

Dividends

As stated in the company's 2019 annual report published on 7 May 2020, with the disruption wrought by Covid-19 and the consequential collapse in the global economy and CPO prices, the directors put on hold their previous intention of recommencing payments of dividends on preference shares during 2020 and starting progressively to catch up the preference dividend arrears.

The directors recognise the importance of dividends to holders of preference shares and aim to recommence payments of preference dividends as soon as circumstances prudently permit. If the current better operating performance and higher CPO prices are maintained, and current bank discussions are successfully concluded, liquidity will improve so as to permit the resumption of preference dividends in 2021. In the meantime, the half yearly payment on the preference shares that falls due on 31 December 2020 will be deferred and the half yearly payments on the preference shares that were due on 30 June 2019, 31 December 2019 and 30 June 2020 will also continue to be deferred.

While the dividends on the preference shares are more than six months in arrears, the company is not permitted to pay dividends on its ordinary shares.

Agricultural operations

Key agricultural statistics were as follows:

	6 months to 30 June 2020	6 months to 30 June 2019
FFB harvested (tonnes)		
Group	349,087	335,177
Third party	91,861	94,680
Total	440,948	429,857
Production (tonnes)		
Total FFB processed	430,292	421,527
FFB sold	11,514	7,440
CPO	98,652	96,514
Palm kernels	21,444	18,882
CPKO	6,912	5,547
Extraction rates (percentage)		
CPO	22.9	22.9
Palm kernel	5.0	4.5
CPKO	39.8	39.9
Rainfall (mm)		
Average across the estates	1,543	2,039

Crops in the first half of 2020 started out strong with the late onset of the peak cropping period in the last quarter of 2019 spilling over into the first months of 2020 and Covid-19 having little discernible impact on group production. In common with other plantation companies in the region, the group then experienced some slowdown in cropping from May onwards but production has now picked up. The group expects to achieve healthy levels of FFB for 2020 overall, with total production weighted to the second half of the year.

Third party FFB purchased in the first half of 2020 was marginally lower than in 2019 when the group was still processing some crop from the formerly owned PBJ estate as well as crop from a neighbouring company's estate.

Despite the persistently weak CPO prices throughout most of 2019, the group maintained its standard level of fertiliser applications during 2019 and aims to do so again in 2020. Because of Covid-19, many harvesters were unable to travel home for the traditional Ramadan holiday period in the middle of the year allowing productivity levels to be maintained.

Estate management continues to focus on improvements in loose fruit collection, greater efficiency of FFB transport to the mills for processing and tighter disciplines in the mills. Driven by the recently restructured management team, the modifications, upgrading and implementation of more rigorous maintenance programmes across all three mills are approaching completion so that extraction rates can be optimised and the design throughput in each mill can be achieved.

Significant uncertainties still remain regarding the Covid-19 pandemic and its economic impact and the group is anyway only just emerging from a period of considerable financial challenges. The directors are therefore continuing to adopt a cautious approach with expenditure being minimised throughout the group. Some additional measures are being taken to reduce costs without compromising operational performance, including a headcount reduction of some 200 (mostly in the temporary workforce) since the beginning of the year as a further step in the cost saving programme initiated in 2019.

Agricultural selling prices

After a firm start to 2020, CPO prices (CIF Rotterdam) fell sharply from $860 per tonne on 1 January to a low for the year to date of $510 per tonne in mid May. Since then, on the back of restocking in India and China combined with lower production reflecting reduced fertiliser applications by smallholders and others in the recent past, labour shortages because of Covid-19 travel restrictions and the much reduced rate of extension planting of recent years, there has been a recovery to the current level of $750 per tonne.

The average selling price for the group's CPO for the six months to the end of June 2020, on an FOB basis at the port of Samarinda, net of export levy and duty, was $527 per tonne (2019: $430 per tonne). The average selling price for the group's CPKO, on the same basis, was $616 per tonne (2019: $590 per tonne).

There have been reports that the Indonesian government is contemplating increases in the export levy on sales of CPO and CPKO in order to provide increased support to Indonesian biodiesel producers. Whilst such additional support would be helpful in underpinning the current level of CPO prices, the increase in the levy (said to be $20 per tonne at current CPO and CPKO prices) is likely to reduce by that amount the prices that the group can obtain for its sales of CPO and CPKO.

Stone and coal interests

Following the previously reported conclusion of an agreement with a neighbouring coal company on quarrying the andesite stone concession earlier in 2020, the coal company in question commenced preparations for building the road through the group's estates utilising stone sourced at least in part from the concession. This augurs well for the commencement of stone production, although activity has been delayed by the Covid-19 pandemic and is unlikely to commence in earnest until 2021. In the meanwhile, the stone concession holding company is close to agreeing easements with neighbouring properties to permit evacuation of stone once quarrying commences.

Continuing weakness in coal prices in the wake of the Covid-19 pandemic has also meant a further delay to the planned recommencement of coal production by the concession holding company, PT. Indo Pancadasa Agrotama ("IPA").

The merits hearing in the arbitration in respect of certain claims made against IPA by two claimants (connected with each other), with whom IPA previously had conditional agreements relating to the development and operations of the IPA coal concession, took place by way of a virtual hearing at the end of June 2020. The arbitrators had joined the company as a party to the arbitration on a prima facie basis and without prejudice to any final determination of jurisdiction. The company, which was never a party to any of the agreements between IPA and the claimants, declined to accept jurisdiction or participate in the arbitration. Further related potential claims made or threatened in respect of, inter alia, alleged tortious conduct by the company, its subsidiary, REAS, and its managing director have been stayed pending a conclusion of the arbitration hearing. The outcome of the arbitration is not expected until the end of 2020 at the earliest. None of the claims is considered to have any merit.

Sustainability

Several certification and re-certification audits for the ISCC, RSPO, RSPO SCCS and ISPO schemes were successfully completed during the first half of 2020, with all queries satisfactorily resolved and licences renewed.

The annual audit for ISCC re-certification took place before the Covid-19 travel restrictions were implemented. Certificates for each of the three mills and the bulking station were renewed and remain valid until March 2021.

The RSPO annual surveillance audit for the Perdana oil mill ("POM") and its supply base also was completed before the Covid-19 travel restriction and lockdown period and certification remains valid until June 2021. However, surveillance audits for Cakra oil mill ("COM") and its supply base (in accordance with SCCS) and for the kernel crushing plant ("KCP") at COM had to be conducted either remotely or partly remotely. This resulted in the PalmTrace licence for COM being temporarily extended until later in 2020 pending completion of the onsite audit work. The PalmTrace licence for the Cakra KCP, however, has been renewed until July 2021.

The RSPO has completed its review of compensation liabilities in respect of two small areas of land within SYB that were cleared in 2008 prior to conducting HCV ("High Conservation Value") assessments. The group's proposal in respect of some 129 hectares of land at Satria estate was approved by the RSPO in March 2020 and the group is now developing a concept note for a conservation programme in accordance with the RSPO's Remediation and Compensation Procedure. Once completed, the Satria oil mill ("SOM") can be audited to secure re-certification. As regards the 44 hectares at SYB's Tepian estate that were excised from the POM supply base in 2019, the final HCV compensation liability was also approved by the RSPO in January 2020. The group is developing another concept note in respect of this area so that, in due course, the area will be reinstated within the POM certificated supply base.

The social impact assessment ("SIA") required to be conducted by third party consultants in respect of 959 hectares cleared at CDM has been delayed owing to Covid-19 travel restrictions. It is intended that the SIA will take place later in 2020. A compensation plan has already been agreed in principle with the RSPO and payments will be settled over a period of several years.

The RSPO is also reviewing certain incidences of land clearing prior to HCV assessments in respect of two plasma cooperatives which could result in a small compensation liability. These were reported to the RSPO under a land use change assessment late in 2019, with additional supporting materials provided by the group regarding the environmental and social impact assessments, free prior and informed consent, participatory land use maps, the land acquisition process, any unresolved land disputes, corporate social responsibility activities and consultation with the relevant communities demonstrating that the group has no social liability in respect of the areas in question.

The annual renewal under ISO 14001, the international standard for effective environmental systems, for the REA Kaltim and SYB estates and mills and the bulking station was also successfully completed in the first quarter of 2020.

The group has continued to address the traceability of its FFB supply chain to ensure traceability to source for external FFB that is processed in the group's mills. Mapping of smallholdings supplying FFB to the group's mills was initially completed in 2018 and the group maintains 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.

Since the beginning of the year, the company has been working with the local government and communities to develop a network of trained community groups to promote fire prevention and develop fire-fighting capabilities in, initially, eight neighbouring villages. The groups are intended to encourage efforts in the local communities to reduce the traditional reliance on fire for clearing village land and work in parallel with other company-funded community development initiatives to promote forest and habitat conservation. This project will be extended into additional villages.

Under another new government initiative, the company has recently established waste and recycling centres in the housing areas for each estate and mill. The centres collect waste from employees and their households and the waste is then collected by 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 collected for landfill.

Since January 2020, the conservation department has planted approximately 1,200 seedlings from its nursery of over 4,000 forest fruit and timber trees for restoration at various sites, including the regeneration of conservation reserves, and for the benefit of local communities and the group's employees.

The biodiversity team's programme of mapping the locations of all Critically Endangered, Endangered and Vulnerable species within the group's conservation reserves has identified 469 species (mostly birds) so far in 2020. Programmes to promote conservation to the local communities have had to be put on hold because of the Covid-19 pandemic, but the conservation department has continued to work with estate employees throughout the period.

Financing

At 30 June 2020, the group continued to be financed by a combination of debt and equity (comprising ordinary and preference share capital). There was a decrease in total equity including non-controlling interests to $245.7 million from $252.7 million at 31 December 2019.

Group indebtedness at 30 June 2020 totalled $206.0 million against $217.3 million at 31 December 2019. Against this indebtedness, the group held cash and cash equivalents of $6.3 million (31 December 2019: $9.5 million). The composition of the resultant net indebtedness of $199.7 million was as follows:

	$'m
7.5 per cent dollar notes 2022 ("2022 dollar notes") ($27.0 million nominal)	26.9
8.75 per cent guaranteed sterling notes 2025 ("2025 sterling notes") (£30.9 million nominal)	37.1
Loan from related party	1.8
Loans from non-controlling shareholder	24.6
Indonesian term bank loans	110.7
Drawings under working capital lines	4.9
	206.0
Cash and cash equivalents	(6.3)
Net indebtedness	199.7

On 31 March 2020, a meeting of holders of the sterling notes agreed proposals to extend the repayment date of the sterling notes to 31 August 2025. As consideration for this, the sterling notes are now repayable at £1.04 per £1.00 nominal on 31 August 2025 and the company has issued to noteholders 4,010,760 warrants with each such warrant entitling the holder to subscribe, for a period of five years, one new ordinary share in the capital of the company at a subscription price of £1.26 per share. Subsequently, the repayment due on the loan to CDM made by a subsidiary of DSN has also been rescheduled to 2025.

The group net indebtedness at 30 June 2020 of $199.7 million represents a reduction of some $8.1 million from the group net indebtedness at 31 December 2019 of $207.8 million. This reduction has been achieved by the combination of continued repayments of local bank borrowings and a fall in dollar terms of rupiah and sterling indebtedness as a result of both the rupiah and sterling weakening against the dollar. Since 30 June 2020, group indebtedness has been further reduced by $7.5 million representing the capitalisation as equity of DSN's 15 per cent share of loans to REA Kaltim (the balance of capitalised loans comprising loans from the company to REA Kaltim, the capitalisation of which does not affect group indebtedness). Moreover, since 30 June 2020 the rupiah has weakened and currently stands at Rp 14,844 = $1. At that level, the Indonesian bank indebtedness at 30 June 2020 would have been reduced in dollar terms by some $4.2 million.

As noted under "Results" above, earnings before interest, tax, depreciation and amortisation for the six months to 30 June 2020 amounted to $11.2 million which was insufficient to cover interest payments of $9.8 million, the outflow on investing activities of $9.4 million and the repayments of bank loans. The shortfall was funded from a combination of related party loans, pre-sale advances from customers and supplier credit with the major component of such funding provided by customers keen to secure supplies of CPO and CPKO as industry stocks diminish. Pre-sale advances from customers entail forward commitments of CPO and CPKO on the basis that pricing is fixed at the time of delivery by reference to prices then prevailing.

Provided that current higher CPO and CPKO prices and good crops continue, the group believes it will be able progressively to reduce to normal levels the extended credit secured from suppliers and customers while continuing to meet its other commitments. However, reliance on such credit can restrict the group's operational flexibility and leave it with little reserve against another downturn in its cash flows.

Accordingly, the group is continuing financing discussions with its Indonesian bankers, PT Bank Mandiri (Persero) Tbk. The logistics of such discussions have been and continue to be complicated by Covid-19 restrictions in Jakarta which means that the discussions are taking longer than expected. Following advice from the bank not to seek a restructuring of existing group loans, the group has reverted to applying for new loans from the bank to be drawn down over 2020 and 2021 in amounts broadly equivalent to the repayments to be made to the bank over the two years in respect of the group's existing loans. Notwithstanding the logistical challenges, this application has now reached an advanced stage and the bank remains supportive of REA Kaltim and its subsidiaries.

Outlook

While CPO consumption is likely to remain restrained and may even decline in the very short term, the long term growth trend is likely to be resumed before long. Production and stock levels across the industry are generally expected to continue to be impacted by lower yields as a consequence of reduced fertiliser applications by some producers, slower growth in mature plantings and increasing age profiles due to a lack of replanting, as well as constraints on the availability of labour. This bodes well for future prices and the directors, therefore, look forward to a more positive outlook as cash flows improve.

Approved by the board on 17 September 2020 and signed on its behalf by

DAVID J BLACKETT
Chairman

Risks and uncertainties

The principal risks and uncertainties, as well as mitigating and other relevant considerations, affecting the business activities of the group as at the date of publication of the 2019 annual report (the "annual report") were set out on pages 36 to 42 of that report, under the heading "Risks and uncertainties". A copy of the report may be downloaded from the company's website at www.rea.co.uk. Such risks and uncertainties in summary comprise:

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

The risks as relating to "Agricultural operations – Expansion" and "Stone and coal interests" are prospective rather than immediate material risks because the group is currently not expanding its agricultural operations and the stone and coal concessions in which the group holds interests are not currently being mined. However, such risks will apply when, as is contemplated, expansion and mining are resumed or commenced. The effect of an adverse incident relating to the stone and coal interests could impact the ability of the stone and coal companies to repay their loans.

In addition to the foregoing risks, the Covid-19 pandemic continues to represent a significant risk to the group. Following an assessment of this risk and in light of local and international regulations and guidelines in respect of the movement of people and quarantine, the group implemented certain changes to working practices from March 2020 to seek to mitigate the impact of such risk on the group, its operations and its employees. Such measures include the introduction of new shift patterns and work rotas in the offices, where working from home is not practicable, as well as on the estates and in the mills. In addition, leave arrangements have been varied to minimise movement to and from the group's estates and a testing regime has been introduced for all employees and contractors prior to travel to the estates and on-site after arrival. Scaled up hygiene measures, social distancing and wearing of masks have been implemented throughout the group and there is an ongoing campaign to raise awareness about Covid-19.

To date, Covid-19 has had a minimal impact on production and the estate operations generally, which are based in a remote location. Similarly, the group's finance and administrative departments have continued to function effectively, notwithstanding the changes made to working practices. Palm oil cultivation is categorised as an essential industry by the Indonesian government and the group suffered only minor operational delays in the movement of palm oil, supplies and spare parts to and from the estates in the early weeks of the lockdown that was implemented in April 2020 and extended until July 2020.

However, the initial impact on the CPO price of the Covid-19 pandemic and consequential disruption to the global economy significantly constrained revenue in the first half of 2020. With prices having made some recovery since June 2020, the group can expect a lesser impact over the remainder of the year. Nevertheless, operational disruption and global economic factors associated with Covid-19 continue to represent a risk to the group and the directors are seeking to address and mitigate such risk by, wherever possible, minimising costs without compromising the operations or the group's financial position.

The directors have considered the potential impact on the group of global climate change. Between 5 and 10 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 though the estates, this could be expected to increase the requirement for bunding 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, it seems likely that any climate change impact negatively affecting group production would similarly affect many other oil palm growers in South East Asia, leading to a reduction in CPO and CPKO supply. This would be likely to result in higher prices for CPO and CPKO which should provide at least some offset against reduced production.

The directors have carefully reviewed the potential impact on its operations of the various possible outcomes to the current discussions on the termination of UK membership of the European Union ("Brexit"). The directors expect that certain outcomes may result in a movement in sterling against the dollar and rupiah with consequential impact on the group dollar translation of its sterling costs and sterling liabilities. The directors do not believe that such impact (which could be positive or negative) would be material in the overall context of the group. Considering that the group's entire operations are in Indonesia, the directors do not see Brexit as posing a significant risk to the group.

At the date of the annual report, in addition to the Covid-19 pandemic, risks assessed by the directors as being of particular significance were those as detailed under Agricultural operations (Produce prices, Climatic factors and Other operational factors) and General (Funding).

The directors' assessment, as respects produce prices and funding, reflects the key importance of those risks in relation to the matters considered in the "Viability statement" in the "Directors' report" on page 44 of the annual report and under "Financing" above and, as respects climatic and other factors, the extent of the negative impact that could result from adverse incidence of such risks.

The directors consider that the principal risks and uncertainties for the second six months of 2020 continue to be those set out in the annual report and as summarised above.

Going concern

In the statements regarding viability and going concern on pages 45 and 46 of the 2019 annual report, the directors set out considerations with respect to the group's capital structure and their assessment of liquidity and financing adequacy.

Since publication of the 2019 annual report, CPO prices have seen some recovery from $525 per tonne to $750 per tonne, the cost saving and efficiency measures implemented in 2019 have positively impacted financial performance in 2020 to date (and should continue to do so) and the group's operating performance has remained sound, with the Covid-19 pandemic so far having had minimal impact on the operations.

As noted under "Financing" in the Interim management report, negotiations with the group's Indonesian bankers, PT Bank Mandiri (Persero) Tbk, have been progressing, albeit slowly owing to logistical consequences of Covid-19. Discussions are now at an advanced stage and the bank remains supportive of REA Kaltim and its subsidiaries.

The group's net indebtedness reduced over the six months to 30 June 2020 and has subsequently continued to reduce. The group has been able to achieve such reduction by funding its cash flow requirements from improved operating cashflows, and increased credit from suppliers and customers. Provided that current higher CPO and CPKO prices and good crops continue, the group believes that, even without new additional bank facilities, it will be able progressively to reduce such extended credit to normal levels while continuing to meet its other commitments.

Palm oil cultivation continues to be categorised as an essential industry by the Indonesian government. Subject to any further disruption wrought by the Covid-19 pandemic, provided that the recent recovery in CPO prices is sustained and the group's operating performance continues to be maintained, the directors have a reasonable expectation that the company will be able to continue its operations and meet its liabilities as they fall due over the period of twelve months from the date of approval of the accompanying financial statements and they continue to adopt the going concern basis of accounting in preparing these statements.

Directors' responsibilities

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

The directors confirm that to the best of their knowledge:

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

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

- note 18 in the notes to the condensed consolidated financial statements includes a fair review of the information required by rule 4.2.8R of the Disclosure and Transparency Rules of the Financial Conduct Authority, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period, and any changes in the related party transactions described in the 2019 annual report that could do so.

The current directors of the company are as listed on page 43 of the company's 2019 annual report.

Approved by the board on 17 September 2020

DAVID J BLACKETT
Chairman

Consolidated income statement

for the six months ended 30 June 2020

	Note	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Revenue	2	62,356	56,584	124,986
Net (loss) / gain arising from changes in fair value of agricultural produce inventory	4	(4,701)	1,911	5,127
Cost of sales:				
Depreciation and amortisation		(14,097)	(13,584)	(27,287)
Other costs		(39,825)	(49,612)	(94,495)
Gross profit / (loss)		3,733	(4,701)	8,331
Distribution costs		(421)	(592)	(1,348)
Administrative expenses	5	(6,167)	(8,401)	(16,097)
Operating loss		(2,855)	(13,694)	(9,114)
Investment revenue	2	143	176	595
Impairment of non-current assets		–	–	(3,267)
Finance costs	6	(4,519)	(15,978)	(31,890)
Loss before tax		(7,231)	(29,496)	(43,676)
Tax	7	(808)	5,044	22,303
Loss for the period		(8,039)	(24,452)	(21,373)
Attributable to:				
Ordinary shareholders		(7,881)	(19,143)	(17,814)
Preference shareholders		–	–	–
Non-controlling interests		(158)	(5,309)	(3,559)
		(8,039)	(24,452)	(21,373)
Basic and diluted loss per 25p ordinary share (US cents)	9	(17.9)	(47.3)	(43.1)

All operations in all periods are continuing.

Consolidated statement of comprehensive income

for the six months ended 30 June 2020

	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Loss for the period	(8,039)	(24,452)	(21,373)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	–	(29)	59
Deferred tax on exchange differences	1,148	125	1,589
	1,148	96	1,648
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses)	268	(105)	(316)
Deferred tax on actuarial gains / (losses)	(67)	25	79
	201	(80)	(237)
Total comprehensive income for the period	(6,690)	(24,436)	(19,962)
Attributable to:			
Ordinary shareholders	(6,532)	(19,127)	(16,403)
Preference shareholders	–	–	–
Non-controlling interests	(158)	(5,309)	(3,559)
	(6,690)	(24,436)	(19,962)

Consolidated balance sheet

as at 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000	31 December 2019 $'000
Non-current assets				
Goodwill		12,578	12,578	12,578
Intangible assets	10	1,613	2,155	2,135
Property, plant and equipment	11	384,922	404,083	394,356
Land	12	40,348	41,592*	38,598
Financial assets: stone and coal interests	14	53,930	48,444	50,329
Deferred tax assets		13,001	15,669	12,642
Non-current receivables		3,889	2,178*	3,889
Total non-current assets		510,281	526,699	514,527
Current assets				
Inventories		12,947	18,607	18,565
Biological assets		1,514	3,564	2,764
Trade and other receivables		50,242	44,415	53,760
Cash and cash equivalents		6,337	9,923	9,528
Total current assets		71,040	76,509	84,617
Total assets		581,321	603,208	599,144
Current liabilities				
Trade and other payables		(46,510)	(58,733)	(63,452)
Current tax liabilities		(960)	–	–
Bank loans		(21,007)	(9,652)	(19,168)
Sterling notes		–	–	(38,996)
Other loans and payables		(7,541)	(5,513)	(14,457)
Total current liabilities		(76,018)	(73,898)	(136,073)
Non-current liabilities				
Bank loans		(94,530)	(119,821)	(107,757)
Sterling notes		(37,130)	(38,706)	–
Dollar notes		(26,851)	(23,763)	(26,804)
Deferred tax liabilities		(51,580)	(79,244)	(51,941)
Other loans and payables		(49,480)	(30,938)	(23,879)
Total non-current liabilities		(259,571)	(292,472)	(210,381)
Total liabilities		(335,589)	(366,370)	(346,454)
Net assets		245,732	236,838	252,690
Equity				
Share capital		133,586	132,528	133,586
Share premium account		47,358	42,401	47,358
Translation reserve		(24,519)	(42,470)	(26,032)
Retained earnings		76,831	95,233	84,779
		233,256	227,692	239,691
Non-controlling interests		12,476	9,146	12,999
Total equity		245,732	236,838	252,690

* Restated, see note 12

Consolidated statement of changes in equity

for the six months ended 30 June 2020

	Share capital $'000	Share premium $'000	Translation reserve $'000	Retained earnings $'000	Subtotal $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2019	132,528	42,401	(42,470)	114,360	246,819	14,455	261,274
Loss for the period	–	–	–	(19,143)	(19,143)	(5,309)	(24,452)
Other comprehensive income for the period	–	–	–	16	16	–	16
At 30 June 2019	132,528	42,401	(42,470)	95,233	227,692	9,146	236,838
Profit for the period	–	–	–	1,329	1,329	1,750	3,079
Other comprehensive income for the period	–	–	987	(195)	792	603	1,395
Adjustment in respect of deferred tax provision	–	–	15,451	(11,588)	3,863	–	3,863
Issue of new ordinary shares (cash)	1,058	5,079	–	–	6,137	–	6,137
Costs of issue	–	(122)	–	–	(122)	–	(122)
New equity from non-controlling shareholder	–	–	–	–	–	1,500	1,500
At 31 December 2019	133,586	47,358	(26,032)	84,779	239,691	12,999	252,690
Loss for the period	–	–	–	(7,881)	(7,881)	(158)	(8,039)
Other comprehensive income for the period	–	–	1,513	(67)	1,446	(365)	1,081
At 30 June 2020	133,586	47,358	(24,519)	76,831	233,256	12,476	245,732

Consolidated cash flow statement

for the six months ended 30 June 2020

	Note	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Net cash from / (used in) operating activities	16	14,433	(5,545)	2,185
Investing activities				
Interest received		143	176	595
Proceeds on disposal of property, plant and equipment		3	–	7,639
Purchases of property, plant and equipment		(4,179)	(7,651)	(18,133)
Purchases of intangible assets		–	–	(20)
Expenditure on land		(1,750)	(316)	(4,552)
Investment in stone and coal interests		(3,600)	(2,433)	(4,319)
Net cash used in investing activities		(9,383)	(10,224)	(18,790)
Financing activities				
Repayment of bank borrowings		(6,867)	(4,649)	(14,512)
New bank borrowings drawn		–	–	4,999
New borrowings from related party		1,816	3,750	5,437
Repayment of borrowings from related party		–	–	(5,437)
New borrowings from non-controlling shareholder		–	300	1,758
New equity from non-controlling shareholder		–	–	1,500
Proceeds of issue of ordinary shares, less costs of issue		–	–	6,015
Proceeds of issue of 2022 dollar notes		–	–	3,000
Expenses of extension of maturity of 2020 sterling notes		(425)	–	–
Repayment of lease liabilities		(1,147)	–	(2,303)
Net cash (used in) / from financing activities		(6,623)	(599)	457
Cash and cash equivalents				
Net decrease in cash and cash equivalents		(1,573)	(16,368)	(16,148)
Cash and cash equivalents at beginning of period		9,528	26,279	26,279
Effect of exchange rate changes		(1,618)	12	(603)
Cash and cash equivalents at end of period		6,337	9,923	9,528

Notes to the condensed consolidated financial statements

1. Basis of accounting

The condensed consolidated financial statements for the six months ended 30 June 2020 comprise the unaudited financial statements for the six months ended 30 June 2020 and 30 June 2019, neither of which has been reviewed by the company's auditor, together with audited financial statements for the year ended 31 December 2019.

The information shown for the year ended 31 December 2019 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, and is an abridged version of the group's published financial statements for that year which have been filed with the Registrar of Companies. The auditor's report on those statements was unqualified and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and should be read in conjunction with the annual financial statements for the year ended 31 December 2019 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Going concern

The directors are satisfied that the group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Adoption of new and revised standards

In respect of new standards and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period beginning on 1 January 2020, none have been adopted by the group as they have no impact on the disclosures or on the amounts reported in these condensed consolidated financial statements.

Accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those set out in the group's annual report for 2019.

The condensed consolidated financial statements for the six months ended 30 June 2020 were approved by the board of directors on 17 September 2020.

2. Revenue

	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Sales of goods	61,795	56,217	124,000
Revenue from services	561	367	986
	62,356	56,584	124,986
Investment revenue	143	176	595

3. Segment information

The group continues to operate in two segments, being the cultivation of oil palms and the stone and coal interests. In the period ended 30 June 2020, the relevant measures for the stone and coal interests continued to fall below the quantitative thresholds set out in IFRS8. Accordingly no segment information is included in these financial statements.

4. Agricultural produce inventory movement

The net (loss) / gain arising from changes in fair value of agricultural produce inventory represents the movement in the carrying value of such inventory after reflecting the movement in the fair value of the fresh fruit bunch input into that inventory (measured at fair value at point of harvest) less the amount of the movement in such inventory at historic cost (which is included in cost of sales).

5. Administrative expenses

	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Profit on disposal of property, plant and equipment	(3)	–	(707)
Indonesian operations	5,203	6,220	13,480
Head office and other corporate functions	1,957	3,417	5,928
	7,157	9,637	18,701
Amount included as additions to property, plant and equipment	(990)	(1,236)	(2,604)
	6,167	8,401	16,097

	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Earnings before interest, tax, depreciation and amortisation:			
Operating loss	(2,855)	(13,694)	(9,114)
Depreciation and amortisation	14,097	13,584	27,287
	11,242	(110)	18,173

6. Finance costs

	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Interest on bank loans and overdrafts	6,488	7,375	14,664
Interest on dollar notes	1,014	901	1,859
Interest on sterling notes	1,656	1,717	3,462
Interest on other loans	644	554	1,539
Interest on lease liabilities	171	91	311
Change in value of sterling notes arising from exchange fluctuations	(2,696)	123	1,357
Change in value of loans arising from exchange fluctuations	(2,967)	4,927	7,246
Other finance charges	310	567	1,488
	4,620	16,255	31,926
Amount included as additions to property, plant and equipment	(101)	(277)	(36)
	4,519	15,978	31,890

7. Tax

	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Current tax:			
UK corporation tax	–	–	–
Overseas withholding tax	370	536	1,289
Foreign tax	75	6	737
Total current tax	445	542	2,026
Deferred tax:			
Current year	363	(5,940)	(24,329)
Prior year	–	354	–
Total deferred tax	363	(5,586)	(24,329)
Total tax	808	(5,044)	(22,303)

Taxation is provided at the rates prevailing for the relevant jurisdiction. For Indonesia, the current and deferred taxation provision is based on a tax rate of 25 per cent (2019: 25 per cent) and for the United Kingdom, the taxation provision reflects a corporation tax rate of 19 per cent (2019: 19 per cent) and a deferred tax rate of 19 per cent (2019: 17 per cent).

8. Dividends

As stated in the company's 2019 annual report published on 7 May 2020, with the disruption wrought by Covid-19 and the consequential collapse in the global economy and CPO prices, the directors put on hold their previous intention of recommencing payments of dividends on preference shares during 2020 and starting progressively to catch up the preference dividend arrears.

The directors recognise the importance of dividends to holders of preference shares and aim to recommence payments of preference dividends as soon as circumstances prudently permit. If the current better operating performance and higher CPO prices are maintained, and current bank discussions are successfully concluded, liquidity will improve so as to permit the resumption of preference dividends in 2021. In the meantime, the half yearly payment on the preference shares that falls due on 31 December 2020 will be deferred and the half yearly payments on the preference shares that were due on 30 June 2019, 31 December 2019 and 30 June 2020 will also continue to be deferred. Total deferred preference dividends at 30 June 2020 are $11.9 million (31 December 2019: $8.5 million, 30 June 2019: $4.1 million).

While the dividends on the preference shares are more than six months in arrears, the company is not permitted to pay dividends on its ordinary shares.

9. Loss per share

	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Basic and diluted loss for the purpose of calculating loss per share*	(7,881)	(19,143)	(17,814)
	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	43,951	40,510	41,358

* Being net loss attributable to ordinary shareholders

10. Intangible assets

	30 June 2020 $'000	30 June 2019 $'000	31 December 2019 $'000
Cost:			
Beginning of period	5,430	5,410	5,410
Additions	–	–	–
Reclassifications and adjustments	–	–	20
End of period	5,430	5,410	5,430
Amortisation:			
Beginning of period	3,295	2,829	2,829
Additions	522	426	466
End of period	3,817	3,255	3,295
Carrying amount:			
End of period	1,613	2,155	2,135
Beginning of period	2,135	2,581	2,581

Development expenditure on computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset.

11. Property, plant and equipment

	Plantings	Buildings and structures	Plant, equipment and vehicles	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 January 2019 restated*	182,549	236,930	114,963	7,242	541,684
Additions	2,340	172	503	4,636	7,651
Reclassifications and adjustments	–	144	2,109	(2,109)	144
Disposals – property, plant and equipment	–	–	–	–	–
At 30 June 2019	184,889	237,246	117,575	9,769	549,479
Additions	27	2,896	5,015	2,639	10,577
Reclassifications and adjustments	(7,012)	10,083	1,416	(4,749)	(262)
Disposals – property, plant and equipment	(2,575)	(4,436)	(1,799)	–	(8,810)
At 31 December 2019	175,329	245,789	122,207	7,659	550,984
Additions	505	1,349	371	1,954	4,179
Reclassifications and adjustments	(1)	240	374	(906)	(293)
Disposals – property, plant and equipment	–	–	(506)	–	(506)
At 30 June 2020	175,833	247,378	122,446	8,707	554,364
Accumulated depreciation:					
At 1 January 2019 restated*	36,565	37,821	57,852	–	132,238
Charge for period	4,917	3,360	4,881	–	13,158
Reclassifications and adjustments	–	–	–	–	–
Disposals – property, plant and equipment	–	–	–	–	–
At 30 June 2019	41,482	41,181	62,733	–	145,396
Charge for period	4,817	3,544	5,302	–	13,663
Reclassifications and adjustments	–	414	(854)	–	(440)
Disposals – property, plant and equipment	(91)	(124)	(1,776)	–	(1,991)
At 31 December 2019	46,208	45,015	65,405	–	156,628
Charge for period	5,083	3,636	4,856	–	13,575
Reclassifications and adjustments	(1)	(216)	(38)	–	(255)
Disposals – property, plant and equipment	–	–	(506)	–	(506)
At 30 June 2020	51,290	48,435	69,717	–	169,442
Carrying amount:					
At 30 June 2020	124,543	198,943	52,729	8,707	384,922
At 31 December 2019	129,121	200,774	56,802	7,659	394,356
At 30 June 2019	143,407	196,065	54,842	9,769	404,083

* Balances at 1 January 2019 have been restated to include right of use assets

12. Land

	30 June 2020 $'000	30 June 2019 $'000	31 December 2019 $'000
Cost:			
Beginning of period	42,920	45,657*	45,657*
Additions	1,750	316	4,552
Reclassifications and adjustments	–	–	(2,155)
Disposals	–	–	(112)
Impairment	–	–	(5,022)
End of period	44,670	45,973	42,920
Amortisation:			
Beginning of period	4,322	4,381	4,381
Reclassifications and adjustments	–	–	(59)
End of period	4,322	4,381	4,322
Carrying amount:			
End of period	40,348	41,592	38,598
Beginning of period	38,598	35,890	35,890

* Balances at 1 January 2019 were restated following a review of all arrangements having the potential to be classified as operating leases as part of the adoption of IFRS16 and now include costs previously referred to as deferred charges and disclosed within non-current receivables

13. Capital commitments

Capital commitments contracted, but not provided for by the group as at 30 June 2020, amounted to $1.7 million (31 December 2019: $3.4 million, 30 June 2019: $4.4 million).

14. Financial assets: stone and coal interests

	30 June 2020 $'000	30 June 2019 $'000	31 December 2019 $'000
Stone company	23,444	22,196	22,843
Coal companies	33,486	29,248	30,486
Provision against loans to coal companies	(3,000)	(3,000)	(3,000)
	53,930	48,444	50,329

Interest bearing loans have been made to two Indonesian companies that, directly and through a further Indonesian company, own rights in respect of certain stone and coal concessions in East Kalimantan Indonesia. Pursuant to the arrangements between the group and its local partners, the company's subsidiary, KCC Resources Limited ("KCC"), has the right, subject to satisfaction of local regulatory requirements, to acquire the three concession holding companies at original cost on a basis that will give the group (through KCC) 95 per cent ownership with the balance of 5 per cent remaining owned by the local partners. Under current regulations such rights cannot be exercised. In the meantime, 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 company in respect of the amounts owed to the group by the two coal concession companies.

The arbitration in respect of certain claims made against IPA by two claimants (connected with each other), with whom IPA previously had conditional agreements relating to the development and operations of the IPA coal concession, took place by way of a virtual hearing at the end of June 2020. The arbitrators had joined the company as a party to the arbitration on a prima facie basis and without prejudice to any final determination of jurisdiction. The company, which was never a party to any of the agreements between IPA and the claimants, declined to accept jurisdiction or participate in the arbitration. Further related potential claims made or threatened in respect of, inter alia, alleged tortious conduct by the company, its subsidiary, REAS, and its managing director have been stayed pending a conclusion of the arbitration hearing. The outcome of the arbitration is expected before the end of 2020. None of the claims is considered to have any merit.

15. Fair values of financial instruments

The table below provides an analysis of the book values and fair values of financial instruments, excluding receivables and trade payables and Indonesian stone and coal interests, as at the balance sheet date. Cash and deposits, dollar notes and sterling notes are classified as level 1 in the fair value hierarchy prescribed by IFRS 13 "Fair value measurement" (level 1 includes instruments where inputs to the fair value measurements are quoted prices in active markets). All other financial instruments are classified as level 3 in the fair value hierarchy (level 3 includes instruments which have no observable market data to provide inputs to the fair value measurements). No reclassifications between levels in the fair value hierarchy were made during 2020 (2019: none).

	30 June 2020 Book value $'000	30 June 2020 Fair value $'000	30 June 2019 Book value $'000	30 June 2019 Fair value $'000	31 December 2019 Book value $'000	31 December 2019 Fair value $'000
Cash and deposits*	6,337	6,337	9,923	9,923	9,528	9,528
Bank debt within one year**	(21,007)	(21,007)	(9,652)	(9,652)	(19,168)	(19,168)
Bank debt after more than one year**	(94,530)	(94,530)	(119,821)	(119,821)	(107,757)	(107,757)
Loans from non-controlling shareholder within one year*	–	–	–	–	(11,091)	(11,091)
Loans from non-controlling shareholder after more than one year**	(24,630)	(24,630)	(23,239)	(23,239)	(13,539)	(13,539)
Loan from related party within one year*	(1,847)	(1,847)	(3,750)	(3,750)	–	–
Dollar notes repayable 2022**	(26,851)	(25,143)	(23,763)	(22,172)	(26,804)	(20,817)
Sterling notes within one year repayable 2020**	–	–	–	–	(38,996)	(36,416)
Sterling notes after one year repayable 2025/2020**	(37,130)	(34,064)	(38,706)	(34,450)	–	–
Net debt	(199,658)	(194,884)	(209,008)	(203,161)	(207,827)	(199,260)

* Bearing interest at floating rates
** Bearing interest at fixed rates

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.

16. Reconciliation of operating profit to operating cash flows

	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Operating loss	(2,855)	(13,694)	(9,114)
Amortisation of intangible assets	522	426	466
Depreciation of property, plant and equipment	13,575	13,158	26,821
Decrease / (increase) in fair value of agricultural produce inventory	4,701	(1,911)	(5,127)
Decrease / (increase) in value of growing produce	1,250	(938)	(138)
Amortisation of sterling and dollar note issue expenses	–	417	–
Profit on disposal of property, plant and equipment	(3)	–	(707)
Operating cash flows before movements in working capital	17,190	(2,542)	12,201
Decrease in inventories (excluding fair value movements)	687	6,142	9,547
Decrease / (increase) in receivables	53	(632)	(18)
Increase in payables	9,962	3,778	6,954
Exchange translation differences	1,917	(1,468)	(2,179)
Cash generated by operations	29,810	5,278	26,505
Taxes paid	(5,534)	(115)	(541)
Tax refunds received	–	220	–
Interest paid*	(9,842)	(10,928)	(23,779)
Net cash from / (to) operating activities	14,433	(5,545)	2,185

* Of which $171,000 is in respect of lease liabilities

17. Movements in net borrowings

	6 months to 30 June 2020 $'000	6 months to 30 June 2019 $'000	Year to 31 December 2019 $'000
Change in net borrowings resulting from cash flows:			
Decrease in cash and cash equivalents, after exchange rate effects	(3,191)	(16,356)	(16,751)
Net decrease in bank borrowings	11,388	4,649	4,409
Increase in borrowings from non-controlling shareholder	–	–	(1,711)
Increase in related party borrowings	(1,816)	(3,750)	–
	6,381	(15,457)	(14,413)
Issue of dollar notes	–	–	(3,000)
Amortisation of sterling note issue expenses	(159)	(377)	(420)
Amortisation of dollar note issue expenses	(47)	(40)	(80)
	6,175	(15,874)	(17,913)
Currency translation differences	1,994	(3,583)	(363)
Net borrowings at beginning of period	(207,827)	(189,551)	(189,551)
Net borrowings at end of period	(199,658)	(209,008)	(207,827)

18. Related parties

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Loan from related party

During the period, R.E.A. Trading Limited ("REAT"), a related party, made unsecured loans to the company on commercial terms. REAT is owned by Richard Robinow (a director of the company) and his brother who, with members of their family, also own Emba Holdings Limited, a substantial shareholder in the company. The maximum amount loaned during the period to, and outstanding at, 30 June 2020 is $1.8 million. This disclosure is also made in compliance with the requirements of Listing Rule 9.8.4.

19. Rates of exchange

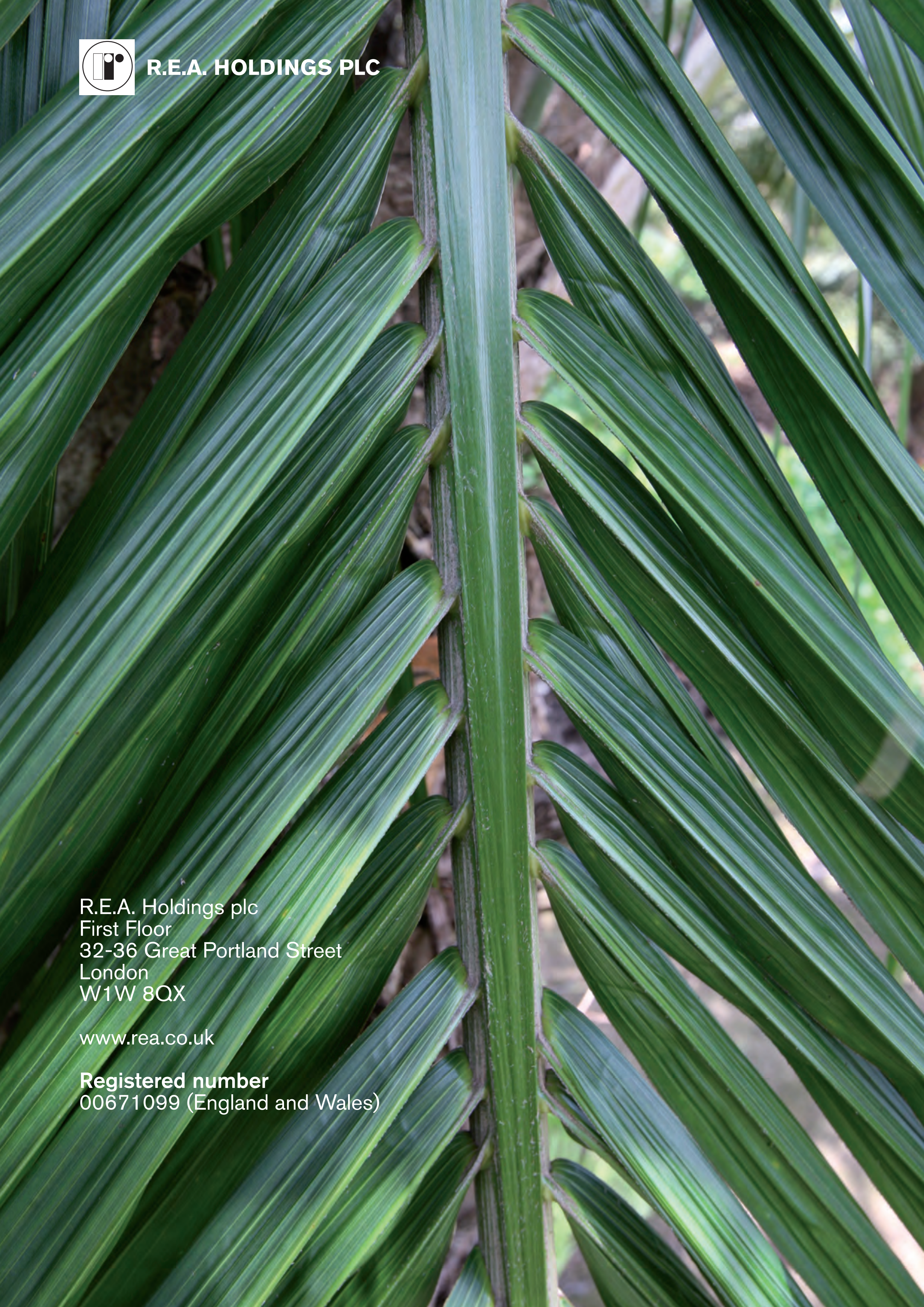
	30 June 2020		30 June 2019		31 December 2019	
	Closing	Average	Closing	Average	Closing	Average
US dollar to Indonesian rupiah	14,302	14,622	14,141	14,229	13,901	14,158
Pound sterling to US dollar	1.2268	1.27	1.2728	1.29	1.3115	1.28

20. Events after the reporting period

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

21. Cautionary statement

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



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