

REA Finance B.V.

HALF YEARLY REPORT 2015

The director presents the half yearly report and condensed financial statements of REA Finance B.V. (the "Company") for the period of six months ended June 30, 2015.

General

The Company is a private company with limited liability incorporated under the laws of the Netherlands and acts as a finance company. The ultimate holding company is R.E.A. Holdings plc (hereinafter "REAH"), London, United Kingdom. The REA Group is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production of crude palm oil and by-products from fruit harvesting from its oil palms.

The Company has in issue £34.5 million 9.5 percent guaranteed sterling notes 2015/2017 ("sterling notes"), matched by indebtedness by REAH to the Company. The sterling notes are irrevocably and unconditionally guaranteed by REAH and by R.E.A. Services Limited ("REAS"), also a wholly owned subsidiary of REAH, and are admitted to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

Overview of activities

During the period under review the Company received interest on the loan from the Company to REAH and paid interest to the note holders of the sterling notes (the "Note holders") and to REAH.

Result

The result after taxation for the period of six months ended June 30, 2015 was a profit of £45,509 (June 30, 2014; £35,889). The net asset value of the Company as at June 30, 2015 amounted to £724,171 (December 31, 2014; £678,663).

Risks and uncertainties

The principal risks and uncertainties facing the Company relate to the due performance by REAH of its obligations under the loan agreement with the Company. Any shortfall in performance would impact negatively on the Company's ability to perform its obligations to the Note holders. Further details of these risks and uncertainties were set out on page 3 of the Company's annual report and accounts for the year ended December 31, 2014 (the "2014 Annual report"), a copy of which is available on REAH's website at www.rea.co.uk.

To date there has been no subsequent change in the principal risks and uncertainties facing the business, or in the arrangements designed to limit the extent of the principal risks.

Risk management objectives

The Company's risk management objectives were set out on page 3 of the 2014 Annual Report and there has been no subsequent change.

Related party transactions

There has been no change to related party transactions since December 31, 2014.

Future outlook

The Company published proposals on August 3, 2015 to create up to £40 million nominal of 8.75 per cent guaranteed sterling notes 2020 (see subsequent events).

Subject to the outcome of the exchange offer the management is of the opinion that the present level of activities will continue for the remainder of the year.

Statement of directors' responsibilities

The sole director of the Company is Corfas B.V. The director confirms that this condensed set of financial statements has been prepared in accordance with Dutch Generally Accepted Accounting Principles as applicable to interim reports, and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules of the Financial Conduct Authority, paragraph DTR 4.2.7.

Amsterdam, August 24, 2015

Corfas B.V

Balance Sheet at June 30, 2015

	Notes	June 30, 2015 £'000	June 30, 2014 £'000	December 31, 2014 £'000
Fixed assets				
Loans to group entities	1	24,983	37,475	24,983
		<u>24,983</u>	<u>37,475</u>	<u>24,983</u>
Current assets				
Loan to group entities	1	12,492	-	12,492
Amounts due from group entities		154	68	150
Prepayments and accrued income		7	8	-
Taxation receivable		2	-	-
Cash and cash equivalents		105	83	75
		<u>12,760</u>	<u>159</u>	<u>12,717</u>
Current liabilities (due within one year)				
Amounts due to third parties		19	9	14
Amount due to group entities	2	820		820
Taxation payable		-	-	8
Sterling notes	3	9,873		9,873
		<u>10,712</u>	<u>9</u>	<u>10,715</u>
Current assets less current liabilities		<u>2,048</u>	<u>150</u>	<u>2,002</u>
Total assets less current liabilities		<u>27,031</u>	<u>37,625</u>	<u>26,985</u>
Long term liabilities (due after one year)				
Amounts due to group entities	2	1,640	2,460	1,640
Sterling notes	3	24,667	34,540	24,667
Total long term liabilities		<u>26,307</u>	<u>37,000</u>	<u>26,307</u>
Capital and reserves				
Paid up and called up share capital	4	13	14	14
Share premium	4	475	475	475
Translation reserve	4	(1)	(2)	(2)
Other reserves	4	191	102	191
Unappropriated results	4	46	36	-
Total shareholder's equity		<u>724</u>	<u>625</u>	<u>678</u>
Total long term liabilities and share capital and reserves		<u>27,031</u>	<u>37,625</u>	<u>26,985</u>

Profit and Loss account for the period of six months ended June 30, 2015

	Notes	June 30, 2015 £'000	June 30, 2014 £'000	December 31, 2014 £'000
Finance activities				
Interest income on loans to group entities		1,813	1,813	3,627
Interest expenses on loans from group entities		(104)	(105)	(209)
Interest expenses on sterling notes		(1,641)	(1,641)	(3,281)
		<u>68</u>	<u>67</u>	<u>137</u>
Other financial income and expenses				
Currency exchange rate differences		6	(6)	12
		<u>6</u>	<u>(6)</u>	<u>12</u>
Other income and expenses				
General and administrative expenses		(17)	(17)	(38)
		<u>(17)</u>	<u>(17)</u>	<u>(38)</u>
Result on ordinary activities before taxation				
		57	44	111
Corporate income tax	5	(11)	(8)	(21)
Result after taxation		<u>46</u>	<u>36</u>	<u>90</u>

Notes to the accounts for the period of six months ended June 30, 2015

General information

The company was incorporated as a limited liability company under the laws of the Netherlands on November 7, 2006 and has its statutory seat in Amsterdam, the Netherlands. The ultimate holding company is R.E.A. Holdings plc. The principal activity of the Company is to act as a finance company.

The functional currency of the Company is pounds sterling ("£"), which is also the presentation currency of the accounts.

Basis of preparation

The condensed financial information for the period of six months ended June 30, 2015 comprises the unaudited results for the six months ended June 30, 2015 and June 30, 2014 together with the audited financial statements for the year ended December 31, 2014 on which the auditors gave an unqualified report and did not draw attention to any matters by way of emphasis.

The condensed financial statements for the period of six months ended June 30, 2015 have been prepared in accordance with accounting principles generally accepted in the Netherlands and in conformity with provisions governing financial statements as contained in Part 9 of Book 2 of the Dutch Civil Code, and should be read in conjunction with the audited financial statements for the year ended December 31, 2014.

The same accounting policies, presentation and methods of computation are followed in this condensed set of financial statements as applied in the Company's latest audited annual financial statements.

Exchange rates

The exchange rates used are:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>December 31, 2014</u>
1 GBP (pound sterling) = EUR (euro)	1.42	1.25	1.28
1 GBP (pound sterling) = USD (US dollar)	1.57	1.70	1.55

1. Loans to group entities

	June 30, 2015 £'000	June 30, 2014 £'000	December 31, 2014 £'000
R.E.A. Holdings plc (due within one year)	12,492	-	12,492
R.E.A. Holdings plc (due after one year)	24,983	37,475	24,983
Total loans to group entities	<u>37,475</u>	<u>37,475</u>	<u>37,475</u>

The Company's parent company is R.E.A. Holdings plc ("REAH"), a company incorporated in the United Kingdom whose share capital is listed on the London Stock Exchange.

The loan to REAH incurs interest at 9.6783 per cent and is repayable in three equal annual instalments commencing on December 31, 2015.

2. Amounts due to group entities

	June 30, 2015 £'000	June 30, 2014 £'000	December 31, 2014 £'000
R.E.A. Holdings plc: Loan account (due within one year)	820	-	820
R.E.A. Holdings plc: loan account (due after one year)	1,640	2,460	1,640
	<u>2,460</u>	<u>2,460</u>	<u>2,460</u>

The loan from REAH incurs interest at 8.5 per cent and is repayable in three equal annual instalments commencing on December 20, 2015. The loan from REAH to the Company was made during 2011 to finance the purchase for cancellation of £2.46 million nominal of sterling notes (see note 3).

3. Sterling notes

	June 30, 2015 £'000	June 30, 2014 £'000	December 31, 2014 £'000
Notes issued (due within one year)	9,873	-	9,873
Notes issued (due after one year)	24,667	34,540	24,667
	<u>34,540</u>	<u>34,540</u>	<u>34,540</u>

The 9.5 per cent guaranteed sterling notes 2015/17 (the "sterling notes") are irrevocably and unconditionally guaranteed by REAH and R.E.A. Services Limited ("REAS"), a subsidiary of REAH incorporated in the United Kingdom. As at June 30, 2015 the obligations of REAS in respect of such guarantee were secured by charges over designated bank accounts and over loans made by REAS to PT Kutai Mitra Sejahtera and to PT Sasana Yudha Bhakti. Unless previously redeemed or cancelled by the Company the sterling notes are repayable in three equal annual instalments commencing on December 31, 2015.

4. Capital and reserves

The authorised share capital of the Company amounts to EUR 90,000 divided into 90,000 shares of EUR 1 each, of which 18,000 shares have been issued, fully paid. The share capital is recorded at the rate of exchange at the balance sheet date. At June 30, 2015 the rate was 1 GBP = 1.42 EUR.

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserves £'000	Unappropriated results £'000
Unaudited balance as at June 30, 2014	14	475	(2)	102	36
Result for the period	-	-	-	-	53
Appropriation of result	-	-	-	89	(89)
Dividend	-	-	-	-	-
Audited balance as at Dec 31, 2014	14	475	(2)	191	-
Revaluation	(1)	-	1	-	-
Result for the period	-	-	-	-	46
Appropriation of result	-	-	-	-	-
Unaudited balance as at June 30, 2015	13	475	(1)	191	46

5. Taxation on the result of ordinary activities before taxation

	June 30, 2015 £'000	June 30, 2014 £'000	December 31, 2014 £'000
Corporate income tax - current period	(11)	(8)	(21)
	<u>(11)</u>	<u>(8)</u>	<u>(21)</u>

OTHER INFORMATION

Shareholder information

The Company's report and condensed financial statements for the six months ended June 30, 2015 (the "half yearly report") is available for downloading from REAH's web site at www.rea.co.uk.

Statutory rules relating to the appropriation of results

In accordance with a restriction prescribed by Dutch law, a Company may only make a distribution of profit provided that shareholders' equity exceeds its issued share capital and legal reserves, in which case the remaining reserves and the unappropriated profit for the year may be dealt with by shareholders in accordance with the Company's articles of association.

Subsequent events

On August 3, 2015, proposals were published whereby the company would create up to £40 million nominal of 8.75 per cent guaranteed sterling notes 2020 ("new sterling notes") to be issued by way of an exchange offer to acquire all of the £34.54 million nominal of 9.5 per cent guaranteed sterling notes 2015/17 ("existing sterling notes") currently in issue (the "exchange offer") and as to the balance of up to £5.46 million by way of an issue of new sterling notes for cash at par.

The proposals are conditional, inter alia, on the passing of a resolution at an extraordinary general meeting of existing note holders to be held on August 27, 2015.

At the time of the publication of the proposals, informal and non-binding indications had been received from holders of in excess of £25 million nominal of existing sterling notes that they would vote in favour of the resolution and accept the exchange offer.

The result of the vote and of the exchange offer and placing will be announced on or before September 2, 2015.

Assuming acceptance of the offer by holders of £25 million nominal of existing sterling notes, the existing sterling notes and the new sterling (assuming the issue for cash of all £5.46 million of new sterling notes) would be repayable as follows:-

31 December 2017	(existing sterling notes)	£9.5 million
31 August 2020	(new sterling notes)	£30.5 million

Otherwise no events have occurred since the balance sheet date which would change the financial position of the Company and which would require adjustment of or disclosure in, the half yearly report and condensed financial statements now presented.