

REA Finance B.V.

HALF YEARLY REPORT 2017

The director presents the half yearly report and condensed annual accounts of REA Finance B.V. (the “Company”) for the six-month period ended June 30, 2017.

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.

Overview of activities

At June 30, 2017 the Company has outstanding £8.324 million nominal of 9.5 per cent guaranteed sterling notes 2015/17 (the “2017 sterling notes”) and £31.852 million nominal of 8.75 per cent guaranteed sterling notes 2020 (the “2020 sterling notes”).

The Company has loans receivable from REAH totalling £43.111 million, a Tranche A loan of £ 11.259 million bearing interest at 9.6783 per cent and repayable on December 20, 2017, and a Tranche B loan of £31.852 million bearing interest at 8.9283 per cent and repayable on August 20, 2020. There is also a loan from REAH to the Company of £2.460 million bearing interest at 8.5 per cent and repayable on December 20, 2017.

During the period under review the Company received interest on the loans 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, 2017 was a profit of £31,477 (June 30, 2016; £44,602). The net asset value of the Company as at June 30, 2017 amounted to £895,097 (June 31, 2016; £808,676).

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 4 of the Company’s annual report and accounts for the year ended December 31, 2016 (the “2016 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 4 of the 2016 Annual Report and there has been no subsequent change.

Related party transactions

There has been no change to related party transactions since June 30, 2017.

Future outlook

In the Interim Management Report in the 2017 Half Yearly Report the directors of REAH included the following in the section “Financing”:

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

To the extent that markets permit, during the coming months, the directors will seek to refinance a proportion of the 2017 sterling notes by placing additions to existing issues of fixed interest securities.” In all other respects, management is of the opinion that the present level of activities will be maintained during the current half financial year. Management expects that the average number of employees will not change during the next half financial year.

Statement of directors’ responsibilities

The sole director of the Company is Corfas B.V. The director confirms that this condensed set of half-year annual accounts 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, September 25, 2017

Corfas B.V.

Balance Sheet at June 30, 2017

	Notes	June 30, 2017 £'000	June 30, 2016 £'000	Dec 31, 2016 £'000
Fixed assets				
Loans to group entities	1	31,852	43,111	31,852
		<u>31,852</u>	<u>43,111</u>	<u>31,852</u>
Current assets				
Loan to group entities	1	11,259	-	11,259
Amounts due from group entities		381	301	372
Prepayments and accrued income		8	8	-
Taxation receivable		9	6	-
Cash and cash equivalents		29	26	37
		<u>11,686</u>	<u>340</u>	<u>11,668</u>
Current liabilities (due within one year)				
Creditors		-	1	2
Amounts due to third parties		7	6	13
Amount due to group entities	2	2,460	-	2,460
Taxation payable		-	-	6
Sterling notes	3	8,324	-	8,324
		<u>10,791</u>	<u>7</u>	<u>10,805</u>
Current assets less current liabilities		<u>895</u>	<u>334</u>	<u>863</u>
Total assets less current liabilities		<u>32,747</u>	<u>43,445</u>	<u>32,715</u>
Long term liabilities (due after one year)				
Amounts due to group entities	2	-	2,460	-
Sterling notes	3	31,852	40,176	31,852
Total long term liabilities		<u>31,852</u>	<u>42,636</u>	<u>31,852</u>
Capital and reserves				
Paid up and called up share capital	4	16	15	15
Share premium	4	475	475	475
Translation reserve	4	(3)	(3)	(3)
Other reserves	4	376	277	376
Unappropriated results	4	31	45	-
Total shareholder's equity		<u>895</u>	<u>809</u>	<u>863</u>
Total long term liabilities and share capital and reserves		<u>32,747</u>	<u>43,445</u>	<u>32,715</u>

Profit and Loss account for the period of six months ended June 30, 2017

	Notes	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
Finance activities				
Interest income on loans to group entities		1,967	1,967	3,934
Interest expenses on loans from group entities		(105)	(105)	(209)
Interest expenses on sterling notes		(1,789)	(1,789)	(3,578)
		<u>73</u>	<u>73</u>	<u>147</u>
Other financial income and expenses				
Currency exchange rate differences		(12)	2	22
		<u>(12)</u>	<u>2</u>	<u>22</u>
Other income and expenses				
Operational income		5	3	7
General and administrative expenses		(27)	(23)	(50)
		<u>(22)</u>	<u>(19)</u>	<u>(43)</u>
Result on ordinary activities before taxation		39	56	126
Corporate income tax	5	(8)	(11)	(27)
Result after taxation		<u>31</u>	<u>45</u>	<u>99</u>

Notes to the accounts for the period of six months ended June 30, 2017

General information

The Company was incorporated as a private company with limited liability 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 in London, United Kingdom. The principal activity of the Company is to act as a finance company, and its place of business is at Amstelveenseweg 760, 1081 JK Amsterdam, the Netherlands.

The functional currency of the Company is GBP, 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, 2017 comprises the unaudited results for the six months ended June 30, 2017 and June 30, 2016 together with the audited annual accounts for the year ended December 31, 2016 on which the auditors gave an unqualified report and did not draw attention to any matters by way of emphasis.

The condensed half-year annual accounts for the period of six months ended June 30, 2017 have been prepared in accordance with accounting principles generally accepted in the Netherlands and in conformity with provisions governing annual accounts as contained in Part 9 of Book 2 of the Dutch Civil Code, and should be read in conjunction with the audited annual accounts for the year ended December 31, 2016.

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

Exchange rates

The exchange rates used are:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>December 31, 2016</u>
1 GBP (pound sterling) = EUR (euro)	1.14	1.21	1.17

1. Loans to group entities

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
R.E.A. Holdings plc (due within one year)	11,259	-	11,259
R.E.A. Holdings plc (due after one year)	-	-	-
- Tranche A loan	-	11,259	-
- Tranche B loan	31,852	31,852	31,852
Total loans to group entities	43,111	43,111	43,111

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 Tranche A loan to REAH bears interest at 9.6783 per cent and is repayable on December 20, 2017. The Tranche B loan to REAH bears interest at 8.9283 per cent and is repayable on August 20, 2020. The loans to REAH represent the on-lending of proceeds from the issue of the 9.5 per cent guaranteed sterling notes 2017 (the "2017 sterling notes") and the 8.75 per cent guaranteed sterling notes 2020 (the "2020 sterling notes") on such terms that permit the Company to earn such interest margin as is specified by the Advance Pricing Agreement referred to in note 15 from the annual accounts for the year ended December 31, 2016.

2. Amounts due to group entities

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
R.E.A. Holdings plc: Loan account (due within one year)	2,460	-	2,460
R.E.A. Holdings plc: Loan account (due after one year)	-	2,460	-
	2,460	2,460	2,460

The sterling loan from REAH incurs interest at 8.5% and is repayable on December 20, 2017. The loan from REAH to the Company was provided during 2011 in order to finance the re-purchase of GBP 2,460,000 nominal of sterling notes.

3. Sterling notes

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
Notes issued (due within one year) 9.5 per cent guaranteed sterling notes 2015/2017	8,324	-	8,324
Notes issued (due after one year) 9.5 per cent guaranteed sterling notes 2015/2017	-	8,324	-
Notes issued (due after one year) 8.75 per cent guaranteed sterling notes 2020	31,852	31,852	31,852
	40,176	40,176	40,176

The sterling notes are listed on the London Stock Exchange and are irrevocably and unconditionally guaranteed by REAH and R.E.A. Services Limited ("REAS"), a subsidiary of REAH incorporated in the United Kingdom. Unless previously redeemed or purchased and cancelled the 2017 sterling notes are repayable on December 20, 2017. The 2020 sterling notes are repayable on August 20, 2020.

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, 2017 the rate was 1 GBP = 1.14 EUR.

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserves £'000	Unappropriated results £'000
Unaudited balance as at June 30, 2016	15	475	(3)	277	45
Result for the period	-	-	-	-	44
Appropriation of result	-	-	-	99	(99)
Dividend	-	-	-	-	-
Audited balance as at Dec 31, 2016	15	475	(3)	376	-
Revaluation	1	-	-	-	-
Result for the period	-	-	-	-	31
Appropriation of result	-	-	-	-	-
Unaudited balance as at June 30, 2017	16	475	(3)	376	31

5. Taxation on the result of ordinary activities before taxation

	June 30, 2017 £'000	June 30, 2016 £'000	December 31, 2016 £'000
Corporate income tax - current period	(8)	(11)	(27)

OTHER INFORMATION

Shareholder information

The Company's report and condensed half-year annual accounts for the six months ended June 30, 2017 (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 article 18 of the Company's articles of association, and Book 2 of the Dutch Civil Code, the allocation of profits accrued in a financial year shall be determined by the general meeting. If the general meeting does not adopt a resolution regarding the allocation of the profits prior to or at latest immediately after the adoption of the annual accounts, the profits will be reserved.

The general meeting has the authority to make distributions. If the Company is required by law to maintain reserves, this authority only applies to the extent that the equity exceeds these reserves. No resolution of the general meeting to distribute shall have effect without the consent of the management board. The management board may withhold such consent only if it knows or reasonably should expect that after the distribution, the Company will be unable to continue the payment of its debts as they fall due.

Subsequent events

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 half-year annual accounts now presented.