

REA VIPINGO PLANTATIONS LIMITED

**Unaudited Condensed Consolidated Financial Statements
For the six months ended 31 March 2009**

REA Vipingo Plantations Limited
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Chairman's statement

Although we have experienced a much more difficult trading environment during the first half of year, I am pleased to report that our results have been satisfactory and indeed better than expected.

The problems in the world's financial markets, and the resultant slow down in the global economy, coincided more or less with the start of our new financial year and there were periods during the first quarter when we did experience a material slow down in the shipment of fibre to key markets. However, I am pleased to report that since January we have been able to ship normal volumes of fibre and are well sold for the next quarter.

Prices for sisal fibre, which had reached an all time high before the downturn have, over the past six months, declined. Fortunately during this period the US dollar, the currency in which we trade, has been much stronger against the local currencies with the result that the reduction in dollar prices has been compensated by the weaker shilling and overall income in shillings has been satisfactory.

When it became apparent how badly the industrialized world was affected by the recession, output from some of the group estates was reduced and other steps taken to reduce expenditure and conserve cash. Replanting has also been reduced and capital expenditure deferred.

The steps taken to reduce expenditure, together with the significantly improved exchange rate has resulted in a profit before tax for the six month period of shs 110 million, some shs 18.9 million ahead of the corresponding period last year.

Looking ahead to the second half of the year and beyond, there do remain some uncertainties. The April rains have been poor at all locations and this will impact negatively upon production levels for the remainder of the year. The Tanga Spinning Mill has had a difficult year so far with lower sales volumes coupled with lower sales prices and the short term prospects do not appear to be encouraging.

The group's strong marketing arrangements, and market position, have enabled us to remain well sold relative to other producers, a situation we hope will continue. However, until the recession ends in all markets, we do expect that sisal fibre prices will remain under some pressure and the trading conditions for the mill difficult, and therefore, unless the shilling weakens further, the second half of the year may prove to be less profitable.

OLIVER FOWLER
Chairman

Condensed consolidated Income Statement

	Notes	Six months ended 31 March	
		2009 Shs'000	2008 Shs'000
Turnover	2	638,043	619,887
Fair value of sisal leaf harvested		250,465	192,309
Sisal leaf processing income		251,866	239,625
(Loss)/gain arising from changes in fair value of biological assets		(14,895)	45,712
Income from sisal cultivation	3	487,436	477,646
Income from manufacture and services		150,607	142,241
Operating income		638,043	619,887
Cost of sales		(330,671)	(323,296)
Gross Profit		307,372	296,591
Other operating income		7,391	3,121
Distribution costs		(28,975)	(26,711)
Administrative expenses		(172,174)	(160,441)
Other operating expenses		(2,078)	(176)
Finance costs - net	4	(1,448)	(21,155)
Profit before tax		110,088	91,229
Tax		(31,542)	(29,122)
Profit for the period		78,546	62,107
Comprising:			
Profit arising from operating activities		88,973	30,109
(Loss)/profit arising from changes in fair value of biological assets		(10,427)	31,998
		78,546	62,107
Earnings per share - basic and diluted	6	Shs 1.31	Shs 1.04

Condensed consolidated balance sheet

	Notes	31 March 2009 Shs'000	30 September 2008 Shs'000	31 March 2008 Shs'000
ASSETS				
Non-current assets				
Property, plant and equipment	7	322,968	334,843	319,326
Biological assets	8	309,488	327,736	331,411
Prepaid operating lease rentals		139,621	139,707	101,982
Investment in unquoted shares		15,251	15,251	-
Deferred tax assets		23,723	23,074	10,450
		<u>811,051</u>	<u>840,611</u>	<u>763,169</u>
Current assets				
Inventories		299,856	339,118	239,241
Receivables and prepayments		199,734	260,492	183,294
Tax recoverable		2,138	4,492	5,433
Cash and cash equivalents		66,207	187,251	6,706
		<u>567,935</u>	<u>791,353</u>	<u>434,674</u>
Total assets		<u><u>1,378,986</u></u>	<u><u>1,631,964</u></u>	<u><u>1,197,843</u></u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		300,000	300,000	300,000
Share premium		84,496	84,496	84,496
Translation reserve		(62,940)	(54,149)	(113,848)
Revenue reserve		611,365	544,819	438,773
Shareholders' funds		<u>932,921</u>	<u>875,166</u>	<u>709,421</u>
Non-current liabilities				
Borrowings	9	29,159	32,730	10,580
Deferred tax liabilities		99,185	107,370	95,650
Provisions for liabilities and charges		61,853	62,258	59,394
		<u>190,197</u>	<u>202,358</u>	<u>165,624</u>
Current liabilities				
Payables and accrued expenses		96,570	122,374	89,807
Tax payable		31,135	16,010	16,065
Borrowings	9	116,163	416,056	168,926
Dividend payable	5	12,000	-	48,000
		<u>255,868</u>	<u>554,440</u>	<u>322,798</u>
Total equity and liabilities		<u><u>1,378,986</u></u>	<u><u>1,631,964</u></u>	<u><u>1,197,843</u></u>

Condensed consolidated statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Translation reserve Shs'000	Revenue Reserve			Total Shs'000
				Biological assets fair value Shs'000	Other Shs'000	Total Shs'000	
Balance at 1 October 2007	300,000	84,496	(99,997)	77,389	347,277	424,666	709,165
Foreign exchange translation	-	-	(13,851)	-	-	-	(13,851)
Net profit	-	-	-	31,998	30,109	62,107	62,107
Dividend for 2007	-	-	-	-	(48,000)	(48,000)	(48,000)
Balance at 31 March 2008	300,000	84,496	(113,848)	109,387	329,386	438,773	709,421
Balance at 1 October 2008	300,000	84,496	(54,149)	88,775	456,044	544,819	875,166
Foreign exchange translation	-	-	(8,791)	-	-	-	(8,791)
Net profit/(loss)	-	-	-	(10,427)	88,973	78,546	78,546
Dividend for 2008	-	-	-	-	(12,000)	(12,000)	(12,000)
Balance at 31 March 2009	300,000	84,496	(62,940)	78,348	533,017	611,365	932,921

Condensed consolidated cash flow statement

	Six months ended 31 March	
	2009	2008
	Shs'000	Shs'000
Net cash generated from operating activities	202,730	71,861
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,326)	(50,719)
Proceeds from disposals of property, plant and equipment	3,914	2,206
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Net cash used in investing activities	(23,412)	(48,513)
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Cash flows from financing activities		
Proceeds from long-term borrowings	12,622	8,727
Repayment of long-term borrowings	(15,013)	(27,321)
Repayment of short term borrowings	(197,693)	-
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Net cash used in financing activities	(200,084)	(18,594)
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(Decrease)/increase in cash and cash equivalents	(20,766)	4,754
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Movement in cash and cash equivalents		
At start of interim period	(5,378)	(146,318)
(Decrease)/increase	(20,766)	4,754
Effects of exchange rate changes	3,020	3,056
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At end of interim period	(23,124)	(138,508)
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Notes to the consolidated condensed financial statements

1 Accounting policies

These consolidated interim condensed financial statements are prepared in accordance with and comply with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2008.

These financial statements are presented in Kenya Shillings Thousands (Shs'000).

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for 2009 is 30% (the estimated tax rate used for the first half year of 2008 was 30%).

The interim financial statements should be read in conjunction with the 2008 annual financial statements.

2 Segment information

	Sisal Shs'000	Spinning and Services Shs'000	Total Shs'000
Six months ended 31 March 2009			
Sales revenue	487,436	150,607	638,043
Profit before tax	91,617	18,471	110,088
Six months ended 31 March 2008			
Sales revenue	477,646	142,241	619,887
Profit before tax	86,765	4,464	91,229

3 Reconciliation of revenue from sale of sisal fibre to operating income in respect of sisal cultivation.

	Six months ended 31 March	
	2009	2008
	Shs'000	Shs'000
Revenue from sale of sisal fibre	556,474	506,524
Fair value adjustment of biological assets	(14,895)	45,712
Net increase in actual costs of biological assets	(39,525)	(52,579)
Net decrease in sisal fibre stocks at fair value	(14,618)	(22,011)
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Operating income in respect of sisal cultivation	487,436	477,646
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Notes to the consolidated interim condensed financial statements (continued)

4 Finance costs – net

	Six months ended 31 March	
	2009	2008
	Shs'000	Shs'000
Interest income	(9)	(11)
Interest expense	10,562	10,956
Net foreign exchange (gains)/losses	(9,105)	10,210
	1,448	21,155
	1,448	21,155

5 Dividend

A final dividend in respect of the year ended 30 September 2008 of shs 0.20 per share amounting to Shs 12,000,000 was approved at the Annual General Meeting held on 27 March 2009.

No dividend is proposed in respect of the half year to 31 March 2009 (2008:nil).

6 Earnings per share

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the period (2009 and 2008:60,000,000).

There were no potentially dilutive shares outstanding at 31 March 2009 or 31 March 2008.

7 Capital expenditure and commitments

	Property, plant and equipment Shs'000
Six months ended 31 March 2009	
Net book amount at start of period	334,843
Additions	27,326
Reclassification	(11,095)
Disposals at net book amount	(357)
Translation adjustment	(2,909)
Depreciation for the period	(24,840)
	322,968
Net book amount at end of period	322,968
Capital commitments at 31 March 2009	1,805

Notes to the consolidated interim condensed financial statements (continued)

	At 31 March 2009 Shs'000
8 Biological assets	
Sisal plants and nurseries	
Six months ended 31 March 2009	
Carrying amount at start of period	327,736
(Loss) arising from changes in fair value attributable to physical changes	(110,216)
(Loss) arising from changes in fair value attributable to price changes of sisal fibre	(19,531)
Gain arising from changes in fair value attributable to changes in exchange rate	114,852
Net fair value loss	(14,895)
Translation adjustment	(3,353)
Carrying amount at end of period	309,488
9 Borrowings	
Total borrowings	145,322
Less: current portion	(116,163)
Non-current portion	29,159
Non-current	
Bank borrowings	29,159
Current	
Bank overdrafts	89,330
Bank borrowings	26,833
Total borrowings	145,322

10 Related party transactions

The majority of sales continue to be made to a related party contracted at market prices.

11 Approval of interim financial statements

The interim financial statements were approved by the board of directors on 27th May 2009.